Report of the Thirty-Fourth Session of the

COMMITTEE ON

COMMODITY PROBLEMS

to the Thirty-Fifth Session of the Council of FAO

Rome, June 1961
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INTRODUCTION

1. The Committee on Commodity Problems held its Thirty-Fourth Session from 30 May – 16 June 1961. The Session was attended by representatives from 22 member countries of the Committee and by observers from 26 countries and 11 international organizations.

2. The Session was conducted by Mr. Viggo Andersen (Denmark) as Chairman, with Luang Sripija (Thailand) and Mr. C.H. Correa Avila (Argentina) as First and Second Vice-Chairmen respectively. The Working Party on Agricultural Price Stabilisation and Support Policies, which had started its work during the previous session, concluded its task, under the continuing Chairmanship of Mr. A. Propper (United Kingdom), in the course of the current Session. The Committee's work during the Session also was aided by a General Drafting Group, under the Chairmanship of Mr. A.C.B. Maiden (Australia), and by a Special Drafting Group on Food Aid and Surplus Utilization, under the Chairmanship of Mr. P.K. Mukherjee (India). The Committee welcomed the presence at the Session of the Chairman of the Advisory Committee on Surplus Utilization (Mr. R.B. Moore, United Kingdom) who also served as the Committee's Rapporteur on the world agricultural commodity situation, of the Vice-Chairman of the Consultative Sub-Committee on Surplus Disposal (Mr. A.R. Callaghan, Australia), and of the Chairmen of the FAO Group on Grains (Mr. D.H. McKay, Australia) and of the FAO Group on Citrus Fruit (Mr. V. de Asarta, Italy). The Report of the Consultative Sub-Committee on the Economic Aspects of Rice was presented to the Committee by Mr. A. Pierre-Duplaix (France).

Agenda and Organization of Work

3. The Committee adopted the Provisional Agenda for the Thirty-Fourth Session (document CCP 61/1). The Agenda had been drawn up by the Committee at its previous Session, in accordance with the decisions taken at that Session concerning the organization of the committee's work, with a view to:

(1) consolidating, as far as possible, discussions on related substantive issues and methods of work; and

(2) enabling the Committee to formulate its conclusions and recommendations of a more general character in the light of preceding discussions of specific commodity problems, for each major commodity or group of commodities.

4. The new form of organization of the Committee's work also is reflected in the presentation of this report which falls into the following three parts:

PART ONE: General Commodity Questions

I. World Agricultural Commodity Situation and Outlook

II. Food Aid and Surplus Utilization

III. National and International Commodity Stabilization Measures

PART TWO: Commodity-by-Commodity Review

PART THREE: Work of the CCP and Related Matters
5. The Committee welcomed the first issue of the new annual FAO Commodity Review, which, it was understood, would be issued as a regular FAO publication and would thus reach a wider public. This Review provided an up-to-date and comprehensive survey of the world agricultural commodity situation and outlook which the Committee considered a valuable contribution to its work. It was noted that the Review would be made available as a Conference document, together with a brief up-to-date summary of the latest developments. The Committee agreed that the annual FAO Commodity Review could also form a basic document, in future years, for use by the FAO Regional Conferences, by the Regional Commissions, and, in particular, also by the UN Commission on International Commodity Trade in its more general assessment of world commodity developments. In this way, the volume of documentation prepared on similar subjects for intergovernmental consideration could be held down and duplication avoided.
GENERAL COMMODITY QUESTIONS

I. WORLD AGRICULTURAL COMMODITY SITUATION AND OUTLOOK

6. The Committee reviewed the major developments in the world agricultural commodity situation and outlook on the basis of information supplied in the FAO Commodity Review 1961 (CCP 61/9) and in a series of introductory keynote statements by delegates.

1. Recent Developments and Short-Term Outlook

7. World production of most commodities increased in 1960, except in the case of coffee, rubber and citrus fruit where it was lower than a year before. There were also increases in the volume and value of international trade in most products, but they were associated with some further weakening of agricultural prices in international markets, and, for some products, of export income.

8. The increase in value of international trade in 1960 resulted mainly from the larger volume of exports of most products, which in turn reflected ample availabilities of supplies generally, the increased volume of sales on concessional terms and the continuing strength of import demand for foodstuffs and raw materials in Western Europe. Higher export prices of some commodities such as cotton, jute, sisal, tea and some fats and oils also contributed to the overall increase in the value of international trade. There was a decline in the volume of world trade in wool and rubber but increases in quantities traded in most other commodities. The greatest gains in quantities traded occurred in cotton, wheat, copra and coconut oil, soybeans and cocoa.

9. Following a brief period of recovery, lasting roughly from the first quarter of 1959 to the first quarter of 1960, and limited mainly to raw materials, international prices in general lost ground during 1960. For the year as a whole the average level of agricultural prices in international trade remained unchanged at the 1959 level and those of raw materials as a group averaged higher. But there was a widespread decline of prices during the second half of 1960, reflecting in particular sharp declines in wool and rubber and a gradual weakening of prices of foodstuffs and some beverages. By the end of the year prices of most major commodities were considerably lower than at its beginning, and there was a further decline in food and beverage prices in the first quarter of 1961, reflecting a further deterioration in the position of butter and cocoa and lower prices of coarse grains and sugar.

10. The Committee noted that commodity developments in 1960 were broadly a reflection of a chronic propensity to surplus formation in certain commodities, perhaps aggravated or increased by the influence of technical advances; a recurring series of annual fluctuations in the production of particular commodities, which were mainly determined by weather conditions as in the case of copra and jute, and the varying phases of production cycles as in the case of beef, pigmeat and eggs; and a slowing down of economic activity in certain industrial countries, which had little or no effect on the position of foods and beverages,
but was to some extent responsible for a decline in world trade and prices of natural rubber, for the levelling off in world consumption of wool and cotton, and for a decline in consumption of some forest products in North America.

11. As regards the short-term outlook, the Committee agreed that no marked change in the basic circumstances of agricultural commodities in international trade was to be expected in the rest of 1961 and in the short term future beyond that. The broad aspects which characterized the year 1960 appeared to be the same in 1961 and were likely to remain so for the time being. All the present indications pointed to a continuing high level of consumption of most agricultural commodities, but supplies generally were at least as ample as last year, and outturns of most staple commodities were likely again to reach high levels in the 1961/62 season. There seemed little prospect that in the near future international commodity prices would in general show any significant improvement over the level of the last two years, and those of most food-stuffs and beverages would probably remain under pressure. The Committee felt that this assessment of the short-term outlook could be altered by a general rise in world economic activity, of which there had been some indications in recent months, but the extent and precise effects of which were difficult to judge at present.

2. Salient Features

12. There was general agreement that the main characteristics of the international commodity situation and outlook remained broadly those in evidence in the last few years, but that they had been sharpened and given additional significance by the developments during the last year. Accordingly, the salient features were seen to be as follows:

(a) Continuing Upward Trend of Agricultural Commodity Production;

(b) Influences of Technological Progress and National Policies in Agriculture;

(c) Persistent Disequilibria of Supply and Demand in Certain Commodities;

(d) Further Deterioration in the Terms of Trade of Agricultural Exporting Countries;

(e) Need for Harmonization of National Policies; and

(f) Regional Arrangements for Economic Integration

(a) Continuing Upward Trend of Agricultural Production

13. World production of most agricultural commodities shows a marked upward trend. In the 1960/61 season record or near-record outputs were obtained in wheat, coarse grains, rice, cocoa, sugar, dairy products, fats and oils, meat, tobacco and cotton. The year 1960 was also a
record year for the production of forest products and for fish landings. Production of jute and hard fibres was also slightly higher than a year before, and that of tea and eggs was about the same as in 1959.

14. The Committee agreed that by far the most important influence on crop outturns in recent years was the continuing upward trend in yields per unit of land or animal in more advanced countries. Its major causes were seen to be the rapid technical progress in agriculture, allied with the maintenance of high price and income support programs, particularly in Western Europe and North America, and increasing government investment in scientific and technical research.

(b) Influences of Technological Progress and National Policies in Agriculture

15. The Committee believed that the technological revolution in agriculture was still gathering momentum, but that it had already resulted in a revision of many established notions about production possibilities in the field of agriculture. Outstanding progress has been made in recent years in the application of fertilizers, in breeding better varieties of crops, in the control of water and plant diseases and pests, in the use of mechanical power in agriculture, in animal health, feeding, breeding, etc. All these developments in technology had the effect of raising yields per unit of land or animal and of expanding productive capacity in agriculture.

16. The most spectacular progress in the field of technology occurred in North America and other economically advanced countries (including Japan). For example, during the 1950's the total agricultural output in the United States increased by one quarter, despite a 20 percent decline in the farm labor force. Maize was now beginning to be grown continuously in some regions, instead of following the traditional system of rotation. Farm production per man hour had more than doubled in Canada since the World War II, while Australian wheat yields had increased from the average of about 12 bushels per acre in the 1930's to about 18 bushels per acre in the 1950's.

17. The Committee felt that while there was an obvious connection between technological progress in agriculture and the wide acceptance of the principle that farmers were entitled to a certain minimum income and degree of security, the nature of that relationship was not easy to determine. Some delegates pointed out that technological advances acquired considerable impetus and encouragement from the general circumstances of support for agriculture. This reflected the fact that support was sometimes directly applied to the encouragement of factors making for increased productivity and also the climate of confidence created by the general system of agricultural support policies. Other delegates felt that while this was true, nevertheless these technical factors and scientific progress, as a whole, had a dynamism of their own and were likely to be a factor of considerable importance quite apart from the general circumstances of agricultural support in which they might be given particular encouragement.
Persistence of Disequilibria between Supply and Demand in Certain Commodities

18. The two major consequences of the spectacular progress in agricultural technology and the resulting rapid growth in world production of most commodities in recent years continued to be the persistence of surplus stocks in some regions coinciding with low nutritional levels in others and the continuing pressure on international commodity prices. To some extent, these tendencies also reflected the relatively slow advance in world consumption of most agricultural commodities, due to: the great expansion in recent years of synthetic products; the economies in the utilization of agricultural raw materials; the lack of any significant response of human consumption of some basic foodstuffs to price and income changes in well-developed industrial countries; and the decline of agriculture in relation to other sectors of national economies.

(i) Annual Crops

19. There were in 1960/61 further additions to the already large carry-over stocks of some major annual crops and commodities. World stocks of wheat would again be larger than ever at the opening of the new marketing season in the second half of the year. This was despite the fact that the conditions for the expansion of world trade in wheat were particularly favourable on account of the unsatisfactory outcome of the last wheat crop in Europe, a sharp rise in wheat shipments under special programs and the current large purchase of wheat by Mainland China. There would also be an increase in the world-carry over stocks of coarse grains, mainly as a result of another record world crop in 1960/61, but partly also because of a decline in import requirements in Western Europe. For the first time in many years, stocks of coarse grains were accumulating in some importing areas, and prices particularly of barley in Western Europe, were weakening sharply. World butter stocks rose by over 10 percent in 1960, exceeding by some 25 percent the previous highest year-end level in 1957, and in Western Europe butter stocks approximately doubled during the year. The sharp increase in the world output of sugar in 1960/61 was likely to exceed the expected increase in consumption with possible further additions in the course of 1961 to the already large stocks of sugar. Cotton stocks were unlikely to show any significant change at the opening of the 1961/62 season.

(ii) Tropical Tree Crops

20. There was a further deterioration in 1960 in the position of some tropical tree crops. Thus, despite an exceptionally large decline in the 1960 world output of coffee, there were further sizable additions to the carry-over stocks in producing countries. At the same time, cocoa stocks had increased and there was also some accumulation of stocks of natural rubber in producing countries as a result of reduced import demand in major industrial areas of the world.

21. While there was no single general explanation of these developments in tropical tree crops, and in the absence of reliable statistics on most tree crops it was indeed difficult to point with certainty to any
particular cause, some problems on the supply side of these three commodities were common to all tree crops. Under the influence of high prices prevailing in the early 'fifties and government subsidies and tax refunds for replanting, producers of several tree crops in recent years were given incentives as well as financial means to expand and replant their areas with high-yielding varieties. Therefore, tree crops, whose supply today presented no special problems, might in a few years experience an entirely unforeseen trend in production. In view of the relative poverty of the producing countries concerned any upward shift in production would constitute a particularly heavy burden on their economies, should the world demand fail to increase at least as fast as was the case with coffee and cocoa. These difficulties were accentuated by the fact that, unlike annual crops, the production of which could technically be adjusted within a short period of time, tree crops faced a relatively long time lag between planting decisions and the bearing phase of the trees, which immobilized resources and therefore made production adjustments more difficult to carry out than in the case of annual crops.

(d) Further Deterioration in the Terms of Trade of Agricultural Exporting Countries

22. The terms of trade of agricultural exporting countries, which had been deteriorating steadily since 1951, reached a new low point in 1960, reflecting comparatively low and declining prices of agricultural commodities in international trade and a simultaneous rise of some 3 percent in the average price of manufactured goods. In comparison with 1959, a decline of prices affected in particular exporters of foods and beverages as well as those of wool among raw materials.

23. The Committee recognized that a decline in export prices of a particular country need not be detrimental to its economy, if it is offset by a reduction in the costs of production or an expansion of the volume of its exports. The increase in the export income of agricultural exporters as a whole in 1960, corresponding to the general rise in the value of world trade in most products, was a factor mitigating the general consequences of their declining terms of trade. At the same time, however, the major part of the increase in the value of agricultural trade in 1960 reflected a sharp increase in the shipments from the United States, largely under special programs. Although export earnings of some other countries, including exporters of sugar, jute, tea and cotton, were also higher than in 1959, a decline in export prices, and in some cases also in the volume of exports, were responsible for drastic reductions in export earnings of the producers of wool, cocoa, coffee, butter and (in the second half of 1960) of rubber.

24. It was also noted that the price declines of some commodities in international trade may have reflected in recent years an improvement in the production methods that had taken place and the corresponding reduction in the real cost of exports. A problem facing the economies of many less developed countries was the loss of foreign exchange earnings and of government revenue, as a result of a decline in export prices. Related to this was the fact that the resources released by
productivity improvements — mainly labor — could not always be shifted easily or quickly to the production of other export commodities.

25. It was felt that, even though the diversification of exports might alleviate their present difficulties, most of these countries would have to depend for years to come largely on exports of a limited range of products. For all such countries, the present level and rate of growth of export earnings were definitely low in relation to their needs for consumer goods and capital equipment.

(e) Need for Harmonization of National Policies

26. The Committee expressed its concern about the obstacles to the expansion and stability of international trade caused by the disharmony of national policies both in the production and trade fields. It was recognized that national agricultural policies had in many countries secured substantial improvements in the economic welfare of agricultural producers and much of the striking progress achieved in world production of food and agricultural raw materials was due to the incentives for increased production provided by national policies. On the other hand, much of the current imbalance between production and demand and the marketing difficulties facing countries dependent on agricultural exports were also the result of these policies. The Committee, therefore, felt it had to stress again the need for continuing efforts by governments to seek adjustments in their national policies which would minimize the adverse effects of such policies on international trade. Such efforts might be made both unilaterally and through intergovernmental consultations. The Committee welcomed the attention which its commodity study groups were giving to the study of national policies and reaffirmed its belief that such discussions contributed to a better understanding of the basic issues of national policies and their international effects and thus paved the way to practical solutions.

(f) Regional Arrangements for Economic Integration

27. The Committee reviewed the status of regional economic arrangements at present in force in various parts of the world. It was noted in particular that the problems of the common agricultural policy of the European Economic Community were still under discussion in the Ministerial Council. A number of delegates reiterated their concern about possible effect on third countries of the tariffs and agricultural provisions of the Rome Treaty and of the preferential treatment to be accorded under the Treaty to the associated territories.

28. The Committee believed that developments under these regional economic integration schemes were of great potential importance to the world agricultural situation and requested the Secretariat to keep any new developments under review with special reference to their possible repercussions on international commodity trade.

3. Long Term Projections

29. The Committee again drew attention to the importance of outlook studies as an element in the determination and adjustment of
agricultural policies and national development programs. The Committee took note of a report on the trend studies accomplished and in progress in FAO, which had been submitted to the Ninth Session of the UN Commission on International Commodity Trade (reproduced as CCP 61/30). The studies recently completed or in progress in this field covered jute, rice, dairy products, and pulp and paper, as well as a more general analysis of commodity prospects for Europe in 1965. The Committee was also given some information on the proposed study of prospects for world demand, production and trade of the principal agricultural products in 1970 to be published in 1962 as Part Two of the annual FAO Commodity Review and to be presented to the Joint CCP/CICT Session for their consideration.
II. FOOD AID AND SURPLUS UTILIZATION

1. Matters Arising from the Resolution of the General Assembly and of the FAO Council on the Utilization of Food Surpluses

30. The Director-General introduced to the Committee the report entitled "Development through Food - A Strategy for Surplus Utilization" which had been prepared by him, in pursuance of the General Assembly Resolution No. 1496 (XV) on the Provision of Food Surpluses to Food-Deficient Peoples Through the United Nations System, for consideration at the forthcoming Thirty-Second Session of the Economic and Social Council. The Committee expressed its appreciation of the excellence of the Director General's report and of his opening statement.

31. The General Assembly Resolution had invited FAO to establish without delay procedures - in particular for consultation and the dissemination of information - by which the largest practicable quantities of surplus food could be made available as a transitional measure against hunger and as a contribution to economic development in the less developed countries through the United Nations system, without prejudice to bilateral arrangements. The Resolution had also invited FAO to study the feasibility and acceptability of additional arrangements, including multilateral arrangements under the auspices of FAO, with the objective of mobilizing surpluses and distributing them in areas of greatest need.

32. The Council of FAO, at its Thirty-First Session in October 1960, had asked the Director-General to proceed without delay with the studies and consultations envisaged in the General Assembly Resolution. The Council's Resolution No. 1/34 also established an Advisory Committee of FAO Member Nations and of the Chairman of the CCP, "to advise the Director-General on the preparation of his report to ECOSOC, it being understood that this Advisory Committee was to work within the framework of the CCP, to maintain liaison with the Sub-Committee on Surplus Disposal, and to report its findings and recommendations to the CCP."

The Committee expressed its appreciation of the report of the Inter-governmental Advisory Committee (CCP 61/14) and of its presentation to the CCP by the Advisory Committee's Chairman, Mr. R.E. Moore, (United Kingdom). In forwarding the report of the Inter-governmental Advisory Committee to the Council, the Committee recommends that it be also submitted to the Economic and Social Council for consideration together with the report of the Director-General.

1/ See Appendix A: Texts of Resolutions of the United Nations General Assembly No. 1496 (XV) and of the Council of FAO No. 1/34 on the Utilization of Food Surpluses.

2/ The Director-General's opening statement to the Committee has been circulated as document CCP 61/31.

3/ For text of Council Resolution, see Appendix A.

4/ Reproduced in Appendix B to this Report.
3). Because the Director-General's report had been available for only a short time, it had not yet been possible for governments to give it full study. For this reason, the consideration of points of substance by the Committee had to be necessarily of a preliminary character. Nevertheless, the statements by Delegations reflected the close attention given to a number of broad objectives and major aspects underlying, or arising from, the Director-General's report, and a number of observations and questions requiring more detailed study. These general objectives and observations can be summarized as follows:

(1) The importance and urgency of the challenge of an expanded international aid program for economic and social development and for humanitarian relief;

(2) The scope for an effective food-aid program as an important element, on certain conditions, in such an expanded international aid program, with special reference also to the need for further consideration of:

   (i) the extent to which "food aid" should be regarded as a concept wider than that of surplus utilization; and the possible resulting need for a re-examination of the definition of "surplus disposal";

   (ii) The complementary character of aid in kind and other forms of aid, and the resulting implication that an expanded program of overall aid was an essential prerequisite of an expanded program of food aid.

   (iii) the relative merits of food-aid and other forms of aid within a given volume of total aid;

(3) The importance of planning food-aid programs in close connection with national development programs and with reference to periods of sufficient duration to allow for effective planning;

(4) The scope for surplus utilization, along lines consistent with the FAO Principles of Surplus Disposal and Guiding Lines, as an important source of food-aid;

(5) The importance attaching to the safeguards for the avoidance of interference with normal patterns of international trade and to the need for ensuring that the scale and continuity of agricultural development programs in recipient countries should not be adversely affected;

(6) The economic and technical implications of encouraging shifts in the commodity-composition of supplies available for food-aid, having regard to -
(i) the need for an element of continuity in food-aid programs,
(ii) the safeguarding of normal patterns of international trade, and
(iii) the avoidance of the creation of new surpluses or of surplus capacity.

(7) The importance of well-devised national food reserve programs, particularly in developing countries, and the need for adequate provision for emergency and humanitarian relief through international channels;

(8) The advantages that might result from suitable arrangements being made for some degree of multilateral coordination of bilateral programs, in view of the likelihood of a large, or dominant, share of food-aid continuing to move under such programs;

(9) The desirability of ensuring the success of a multilateral food-aid program by beginning on a relatively modest scale with emergency aid and selected pilot projects, and expanding the program when experience and funds permit, and as wider cooperation is obtained.

(10) The organizational aspects of an expanded food-aid program, with special reference to the need for further study of:

(i) the desirability or otherwise of multilateral coordination of bilateral programs; and

(ii) the beginnings of a multilateral program of food-aid.

34. The comments enumerated above must also be seen against the background of the more general aspects of international commodity trade problems. The statements made by Delegations generally reflected their keen interest in the more general considerations presented in the Director-General's report, notably with respect to the need for expanding the volume of, and outlets for primary commodity trade, the importance of short-term price stability and generally the need to find effective solutions to the wider commodity problems involved. It was noted that these wider problems, if they remained unresolved, could seriously impede economic development even in the face of a greatly expanded aid program (see also Section III, 2 International Commodity Stabilization Techniques and Arrangements).

35. The Committee learned with keen interest and appreciation of the proposal made by the United States for an initial program on a multilateral basis which might aim at a fund of US $100 million in commodities and cash contributions and for which the United States would be prepared
to offer $40 million in commodities with the additional possibility of a supplementary cash contribution to be explored later. The Committee noted that in its initial stage, the primary aim of this proposed program, in which the FAO was intended to have a major role in cooperation with other UN organizations, should be primarily to meet emergency needs. At the same time, the United States would support use of the program fund for pilot activities in other fields such as school lunch or labor-intensive projects, in order to develop some diversified experience. The US proposal was generally recognized as being one of considerable significance, and some delegations reported the serious interest taken by their respective governments in this proposal. The Committee was informed that the Government of the United States intended to present a further statement on these proposals to the forthcoming Council Session. Whilst different views were expressed by delegations, a number of them emphasized the desirability of extending any multilateral program to include, at least in some measure and on a pilot scale, projects which would assist economic and social development.

36. Pending the consideration of both substantive and organizational matters by the governing organs of the FAO and United Nations, the Committee felt that it would have been premature for it at this stage, even if there had been an opportunity for more adequate advance briefing on the report by its members, to set out any proposals concerning the possible form of assistance that could be rendered to a new, or expanded, program through its own services and through those of its Consultative Sub-Committee on Surplus Disposal and other subsidiary bodies. The Committee stands ready to assist the Council and Conference in their deliberations on these matters. In the course of the preliminary exchange of views reported above, stress was laid on the importance of full and effective use being made of existing machinery and organizational units.

2. **FAO Principles of Surplus Disposal and Guiding Lines**

37. The Committee was informed of the action taken to implement Conference Resolution No.11/59 on the Operation and Adequacy of FAO Principles of Surplus Disposal and Guiding Lines. Among other matters, the resolution had requested the Director-General (a) to invite Member Nations which had not already done so to signify their agreement to adhere to the FAO Principles and to take the Guiding Lines into account, and (b) to establish procedures by which countries joining the Organization would be invited to adhere to the FAO Principles and to take the Guiding Lines into account. The Committee noted that governments of seven countries had responded to the Director-General's invitation, bringing the number of governments which had formally accepted the Principles to 47.

1/ See Appendix C - List of FAO Member Nations having formally accepted the FAO Principles of Surplus Disposal
3. National Food Reserves

38. The Committee received the first of the factual periodic reviews undertaken by the Director-General at the request of the CCF and Conference of information received from governments on plans and arrangements for the establishment, maintenance, or enlargement of national food reserves (Document 61/23). The Committee noted that there were many countries whose development programs in general, and national food aims in particular, might well be served by the establishment or enlargement of national food reserves, making use, at least in some measure, of surplus supplies of grains available on special terms. Some of these countries appeared to be lacking the information, technical knowledge and facilities required for the development of such programs.

39. The Committee decided to maintain the subject under review and requested the Director-General to pursue his enquiries with governments along the lines indicated in document CCF 61/23. The Committee expressed the hope that all governments would cooperate fully in this venture which might be of considerable practical benefit to the food supply and economic progress of member countries, particularly those in process of development.

4. Eleventh Report of the Consultative Sub-Committee on Surplus Disposal

40. The Eleventh Report of the Consultative Sub-Committee on Surplus Disposal (document CCF 61/13) was introduced by Mr. A. R. Callaghan (Australia), Vice-Chairman of the Sub-Committee. The report covered the period from 13 April 1960 to 11 April 1961. The Sub-Committee had continued its examination of policies, legislation and programs on the utilization of surpluses, including the new U.S. proposals for a Food-for-Peace Program and the implementation of Title IV of the U.S. P.L. 480, (long-term loans and supply contracts), with a view to ensuring that such activities were carried out in agreement with the FAO Principles of Surplus Disposal. It was noted that fewer complaints regarding surplus transactions had been received by the Sub-Committee – reflecting in the main the effectiveness of the consultative machinery which had been developed to deal with these transactions.

41. In submitting to the Committee the summary of its enquiry into the effects of the use of local currencies, the Sub-Committee had concluded that it would maintain continuing interest in this aspect of surplus disposal programs and would acquaint the CCF with any future developments. The Sub-Committee, however, had indicated that a complete study of all the implications of these questions was beyond its competence and facilities. Its enquiry, nevertheless, had helped to define the questions of specific interest in this field. The Committee generally recognised that the ability of the Sub-Committee to undertake special studies was conditioned by the resources and the expert assistance available to the Sub-Committee itself.

42. The Committee paid tribute to the work accomplished by the Sub-Committee. Several delegates indicated that their governments attached particular importance to its work and there was general recognition that the need for the Sub-Committee would continue and that its facilities should be fully used. Its basic functions would continue to be to serve as a
centre for information and consultation on surplus disposal programs and transactions and to supervise the observance of the FAO Principles of Surplus Disposal. Its further work might be substantially affected by the decisions to be taken regarding the implementation of the UN Resolution on surplus utilization in which the Sub-Committee, in view of its experience and expert knowledge, could play an important role. The Committee decided to take no action on the considerations of the Sub-Committee’s terms of reference and its title until the outcome of the UN Resolution was known.

5. Other Intergovernmental Consultations and Actions on Surplus Disposal

Wheat Utilization Committee

43. The Committee heard a brief statement by Mr. A.C.E. Maiden (Australia) on the activities of the Wheat Utilization Committee. Mr. Maiden informed the CCP that the Wheat Utilization Committee had received a report by one of its working parties on national food reserves and was about to finalize its work on this subject. In carrying out its studies on reserves, the WUC had drawn heavily on previous work of FAO. The WUC had also been studying matters relating to concessional credit sales of wheat and at a recent meeting had discussed the UN General Assembly Resolution 1496 (XV).

6. Multilateral Consideration of Surplus Disposal Programs

44. At its Thirty-Third Session, the Committee had requested the Consultative Sub-Committee on Surplus Disposal to consider and report on whether there was need for further arrangements to improve the international machinery for clearing information on stocks and disposal programs and on current and future requirements. Following this request, the Sub-Committee had carried out an examination of past and existing machinery dealing with these matters. At the present Session, the Sub-Committee submitted to the CCP the main findings arising out of the consideration of these matters (Annex I of its Eleventh Report to the Committee, CCP 61/13).

45. The Sub-Committee in its report expressed the view that facilities for clearing information were of great importance and should play a greater role in intergovernmental consultations. Before, however, pursuing the consideration of the need for further arrangements, the Sub-Committee believe it desirable to await the operative decisions taken to implement the UN Resolution on the Provision of Food Surpluses to Food-Deficient Peoples. Such decisions might well include provision for new or revised international arrangements. The Committee endorsed the views expressed by the Sub-Committee in its report.
III. NATIONAL AND INTERNATIONAL COMMODITY STABILIZATION POLICIES

1. National Agricultural Price Stabilization and Support Policies

(a) Guiding Principles

46. At its Thirty-Third Session, the Committee, in accordance with Conference Resolution No. 9/59, had begun its examination and revision of the Guiding Principles of Agricultural Price Stabilization and Support Policies which had been prepared earlier by the Export Panel on Agricultural Price Stabilization and Support Policies. The tentative redraft of these Principles which it had prepared at that Session had in the meantime been circulated to Member Governments by the Director-General for comment. At its present session, the Committee resumed its examination of the Principles. Comments were received from 37 Governments.

47. The Committee, therefore, reconvened the Drafting Group which had prepared the amended draft at the Thirty-Third Session to re-examine the text in the light of the comments from governments and of the discussion in the Committee. Bearing in mind the wide acceptance of the Principles in the form in which they had been circulated, the Drafting Group felt it important to keep them in as general and broadly acceptable a form as possible. It examined carefully the comments which had been made and proposed the adoption of a considerable number. Most of these changes were designed to clarify the formulation of the principles, though a few incorporated points of greater substance; these are briefly discussed below. The drafting group also removed a few small differences between the English and French texts which had given rise to some misunderstanding.

48. The Committee accepted the proposals of the Drafting Group, subject to a few further revisions. The amended text as adopted for transmission to the Council and Conference is set out in Appendix D.

49. The following amendments to the draft Principles as previously circulated may be briefly noted. The title was changed in order to bring out their special concern with the effects of agricultural price support and stabilization policies on international trade. The main points of the relevant Conference resolution (No. 8/57) were included in the introductory paragraphs to indicate the general scope of the Principles, and, with the same end in view, the objectives of FAO as set out in the Preamble to the Constitution were included as an Annex.

50. In the paragraphs on "General Aims and Criteria" para 1 (b) was modified to clarify the effect of increased agricultural efficiency on the need for protective measures, while a new para I (g) was added specifying the improvement of the international distribution of primary products as a joint responsibility of both exporting and importing countries.

51. Para. II (2) in the section on "General Guide Lines" was revised to take into account the situation and obligations of countries where established national policies kept price supports currently above the level of prices ruling in international trade. Finally, paras. III (5) (a-c) dealing with the avoidance of over-production likely to disturb international markets, were amended to bring out that both importing and exporting countries had responsibilities in this respect.
(b) Special Studies

52. At its Thirty-Third Session the Committee had asked the Secretariat to undertake further studies on two subjects related to agricultural price stabilization and support policies. On the first of these, "Factors Influencing the Transfer of Labour from Agriculture", the Committee took note of the paper prepared by the Secretariat. It found the report informative and useful, but in view of the complexity of the problem felt that further work would be desirable. Any additional work which the resources of FAO would permit should be more analytical and give more attention to the situation in the economically less-developed countries.

53. The Committee was informed that only preliminary work had been possible on the second subject, "The Effects of Agricultural Price Stabilization and Support Measures on International Trade as a Whole," though a draft study was informally available for comment. The Committee agreed that further work on this subject should be postponed until the results of the study of effects of protection on trade in Committee II of GATT had been examined by Governments. As a possible line of approach in any further studies, suggestions were made that an attempt might be undertaken to examine quantitatively the effects of changes in individual countries' agricultural price support and stabilization policies on their trade and balance of payments.

(c) Review of Recent Developments

54. The Committee considered the second of the annual reviews on recent developments in national agricultural price stabilization and support policies prepared in accordance with Resolution 9/59 of the Conference. The review was based on replies from 40 countries to a note verbae of the Director-General, together with other information available to the Secretariat.

55. In general, the Committee considered that the review was useful, although it was suggested that the summaries of developments in individual countries should be fuller, and that consideration should be given to the inclusion of tables showing changes in support prices for the main commodities, complemented if possible by information on the size of the crop or the quantities eligible for price support. It was emphasized that information from member countries was necessary if the reports were to be of value, and the suggestion was made that the request to countries for such information should be in the form of a questionnaire. A number of factual revisions were given to the Secretariat and will be incorporated in the Summary Record of the Session.

56. In the course of discussion, the Delegation for the United States presented a statement on the agricultural policies proposed by the Administration. It was noted that most careful consideration would be given to agricultures in other countries of the world, and some delegations suggested that the Committee might usefully discuss the implications of the policies proposed at its next session.
2. **International Commodity Stabilization Techniques and Arrangements**

(a) **General Comment**

57. At its Thirty-Third Session, the Committee had decided to include, as a standing item of its agenda, a review of international commodity stabilization techniques and arrangements. At the current Session, the Committee had a first exchange of views on these questions, after hearing an introductory statement by the secretariat summarizing some major aspects of recent studies and activities in these fields. The Committee also took note of the relevant texts of Resolutions passed since its last Session by the General Assembly and other bodies which demonstrated the strong interest and the concern felt by many countries about the need for expanding outlets for, and volume of, trade in primary products and the importance of short-term stability of prices and incomes in the economies of primary producing countries.

58. The discussion included, inter alia, the following aspects which it was felt deserved close attention by governments:

- The exploration of the desirability and feasibility of international commodity agreements, based primarily on a commodity-by-commodity approach, but also the essentially complementary character of such an approach with other measures, both national and international;

- The need for the harmonization of national policies as an important condition for any more fundamental solution of problems of instability in commodity markets;

- The importance of high and stable levels of income being maintained in major importing countries;

- The importance in the economies of primary exporting countries of an adequate inflow of external resources for which the adoption of internal anti-cyclical measures in these countries did not provide a substitute;

- The fact that national and international commodity stabilization measures were inextricably bound up with each other;

- The importance of structural imbalances and underlying trends, particularly for certain primary products faced with serious competition from synthetics;

- The inevitable limitations of stabilization measures in dealing with basic longer-term trends, because such trends could not be interfered with, though their impact on the economies of producing countries could be mitigated by various means;
The importance of commodity outlook studies as a contribution to improved planning and policy coordination and the resulting advantages attaching to the work of commodity study groups.

59. Following this first preliminary exchange of views, the Committee decided to keep the matter on agenda for further discussion at its next session. The Committee was assisted in its preliminary review, by statements made on behalf of the GATT, the International Labor Organization, the International Wheat Council and the International Olive Oil Council.

(b) UN Experts' Report on Compensatory Financing

60. The Committee heard some introductory remarks by Mr. J. V. White (New Zealand) who had served as Chairman of a Working Party established during the Ninth Session of the CICT, to consider the UN Experts' Report on Compensatory Financing. The Committee noted the progress made in the study of this important subject, the active participation by FAO in the work of the experts' group and the arrangements suggested by the CICT for further joint study of some major aspects by the secretariats of the main agencies concerned. The Committee requested the Director-General to give high priority to FAO’s continuing participation in this work.

61. Whilst different views were expressed on the possible advantages and technical feasibility of international insurance proposals on the lines sketched out in the UN Experts' Report, it was generally felt that an important contribution had been made by the report to current thinking on these questions. The Committee noted the active interest taken by the International Monetary Fund in the questions at issue and in the interpretation of its compensatory role in a liberal manner. At the same time, several delegations concurred with the UN Experts' views that the objectives underlying the study of possible measures of compensatory financing were wider than those which could be met by more liberal IMF policies.

62. Interest was shown in the possible application of techniques of compensatory financing to problems of instability for individual commodities. Note was taken of the technical difficulties likely to be encountered in such an approach, but it was thought worthwhile to pursue this matter in further enquiries to which the FAO secretariat might be able to contribute.
PART TWO

COMMODITY-BY-COMMODITY REVIEW

IV. MATTERS RELATING TO INDIVIDUAL COMMODITIES OR GROUPS OF COMMODITIES

1. Grains and Rice
   (a) Grains

   Situation and Outlook

63. The Committee discussed the world grain situation and agreed that it continued to be characterized by the imbalance between supply and consumption. Production continued to rise, due in large measure to increases in yields. Trade and consumption were also rising, largely on account of sales on concessional terms, but the rise in consumption had not kept pace with the rise in production. As a result, stocks were continuing to mount, and, although wheat prices had remained fairly stable, prices of coarse grains showed a downward trend. The general state of imbalance was more serious for wheat, but the coarse grain situation was also giving rise to increasing concern. In 1960/61, world grain production (outside the Sino-Soviet area), carryover stocks and trade reached new peaks. Compared with 1959/60, production increased by about 15 million tons, stocks held by major exporters were likely to rise by about 12 million tons and trade by about 1½ million tons. Of the increase in world trade, about one half was due to larger shipments on concessional terms, mainly to non-European countries. Substantial quantities of wheat (including flour) and barley were bought by Mainland China from Canada and Australia, and further large quantities had been contracted for, to be shipped to China during the second half of 1961 and the two subsequent years.

64. It was also noted that world production in the 1961/62 season was likely to be about the same as that of the previous year. Crops of feed grains in North America might be somewhat smaller than last year, owing to the possible effects of the new Feed Grain Program in the United States. Slight declines in output of grains were expected in Western Europe, but the prospects were generally good in India and Near Eastern countries. Trade in 1961/62 might again rise, but the end-year carryover stocks in 1962 were expected to be higher again than in 1961.

Activities of the FAO Group on Grains

65. The Committee reviewed the report of the Sixth Session of the FAO Group on Grains (CCF/61/26) which had been held immediately prior to the Session of the CCF itself.

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1/ Except where otherwise indicated, the summaries of the situation and outlook for individual commodities presented in the following sections are based on the FAO Commodity Review 1961, on reports of FAO Commodity Groups, and on other information supplied during the Session.
66. The Group had agreed that the recommendations for achieving a better balance in the world grain economy set out in the Report (paragraph 42) of the Third Session of the Group were in the main as appropriate today as three years ago. The Committee shared the Group’s concern that subsequent developments as yet had not brought about an appreciable change in the serious factors underlying the world grain situation and stressed the need for more effective action by governments.

67. The Committee placed particular emphasis on the work performed by the Group in the field of national grain policies. It noted with satisfaction that an increasing number of governments had supplied the Group with information on their national grain policies and expressed the hope that other governments which had not yet done so would participate in this work in future. The Committee commended the publication of the summaries of national grain policies prepared on a basis enabling comparison to be made, and requested the Director-General to continue their publication.

68. The Committee requested the Group, in conducting its work during the next two sessions, to take account of the fact that it would not meet before the 1962 session of the CCP but that it might be meeting twice before the CCP session in mid-1963. The Committee suggested in this connection that the Group should give special attention at the first of these sessions to the examination of national grain policies and their international implications, with special reference to the following questions:

(a) to what extent its previous recommendations had been carried out by governments;

(b) the reasons why certain recommendations had not been carried out by some governments;

(c) the possibility of achieving the objectives of its original recommendations by alternative means.

69. The Committee also suggested that the Group might consider the feasibility of international action in the field of coarse grains. The Committee noted that the Group had asked the Director-General to prepare an analytical survey of the developments in national policies since the Third Session. The Committee also agreed that the other four items decided upon by the Group for the agenda of its next Session should continue to form a major part of its work, viz., the situation and outlook; intergovernmental consultations and agreements, recent trends in utilization, and price relationships among grains.

70. The Committee agreed that the work of the Grains Group would be relevant to the activities under the United Nations General Assembly’s Resolution 1496 (XV) because of the very large role played by surplus supplies of grains in the problem of surplus utilization.

71. The Committee also suggested that the Grains Group might take into account the Guiding Principles for Agricultural Price Stabilization and Support Policies recommended by the Committee and submitted for acceptance to the Conference at its Eleventh Session.

72. The Committee suggested that the Group might find it desirable to make use of a working party technique, in particular for the purpose of its analysis of policy issues.
International Wheat Council

73. The Committee welcomed the statement presented on behalf of the International Wheat Council concerning activities under the International Wheat Agreement. The text of the statement has been circulated.

(b) Rice

Situation and Outlook

74. Two principal factors dominated the rice situation: the tendency for import requirements of some traditional importing countries to decline as a result of agricultural development programs and self-sufficiency policies; and the importance and unpredictability of Mainland China in world trade in rice. World rice production outside Mainland China had continued its upward trend, reaching a new record level in 1960/61. Some importing countries, particularly India and Japan, had therefore reduced their purchases this year but generally world import demand remained strong. Most exporting countries had approximately the same amount of rice available for sale as in the previous year, but exports of Chinese rice, which at their peak in 1958 accounted for nearly one-quarter of world trade, had apparently been very small so far in 1961 owing to poor harvests. Mainly as a result of this and the strong demand, international prices had risen moderately, although they were still below their 1958 levels. No major change in stocks in exporting countries, which were generally small at the end of last year, seemed likely. The outlook for international trade in 1961/62 would be largely determined by the size of the coming crops in the Far East, and the size of exports from (or imports into) Mainland China.

Activities of the Consultative Sub-Committee on the Economic Aspects of Rice

75. The Committee reviewed the report of the Fifth Session of the Consultative Sub-Committee on the Economic Aspects of Rice. It welcomed the sustained interest in the Sub-Committee shown by the continued growth in attendance and wide geographical coverage of the countries represented. The principal item of the Sub-Committee's program was the study of trends in world supplies and demand for rice, with projections of the position in 1965. Good progress was reported on the production aspects and it was understood that a study of consumption was to be submitted at the next session of the Sub-Committee. The Committee emphasized the importance of taking full account in this of the inter-relationship between rice and other foods, and particularly of competition between wheat and rice. Study was also continuing of methods to reduce instability in international trade in rice, and a study was to be undertaken on the conditions under which a future market for rice would be feasible. The Committee suggested that future work on fluctuations in international trade should, so far as possible, include an appraisal of the effects of non-commercial exports on commercial sales of rice. The Committee expressed its satisfaction with the work being carried out by the Sub-Committee to facilitate the flow of international trade, including that on grading and standardization and on domestic marketing problems, as well as on the improvement of economic and statistical information. It was suggested that the Sub-Committee should include an item "Future Program of Work" on the agenda of its next session with a view to concentrating attention on the most urgent items.
The Committee noted that the Government of Burma had invited the Consultative Sub-Committee on the Economic Aspects of Rice to hold its Sixth Session in Rangoon in February 1962, and that the Government of Japan intended to invite the Sub-Committee to hold its Seventh Session in Tokyo.

2. Dairy Products, Meat and Eggs
   (a) Dairy Products

   Situation and Outlook

   The world dairy situation displayed a growing disparity between supply and demand which found expression mainly in international trade. A good production season in 1960/61 in most countries was accentuating the rising trend in milk production with much of the additional supply finding its outlet in butter and, to some degree, in milk powder. Western European butter production in the period March – May 1961 was some 6 to 8 per cent above that of the same period of the previous year. World butter prices had remained low for some months. The markets for cheese and condensed milk had been more favourable than for butter. The most important reason for the tendency of supplies to outstrip demand was generally considered to be the incentive to increased production given by dairy price supports and other means of protection in industrialized countries. Widespread implementation of technical advances resulted also in higher production in many cases.

   The Committee's discussion of the dairy situation centred on the long-term problems of the world dairy economy. A number of delegates thought that this required a specific analysis of the continuing disequilibrium and an examination of suitable ways to adjust supply and demand.

   National Dairy Policies

   (i) General Review of National Dairy Policies

   The Committee considered the "Second Annual Review of National Dairy Policies 1960/61" (CCP 61/12), which described recent changes in dairy policies in 21 countries. The basic purpose of dairy policies in advanced countries - to support farm income and prices - remained unchanged, but in several countries there had been changes in producer price incentives. In some countries consumption increased, largely owing to income and price changes. Several delegates discussed in detail various aspects of the dairy policies of their countries.

   (ii) Problems in the Butter Market

   The Committee considered the paper "The Butter Situation 1960/61" (CCP 61/10) which reviewed changes in the butter situation since its last session. It was noted that, following substantial price falls early in 1961, the world price had remained low with both production and stocks increasing. Higher consumption could be secured only if consumer prices were reduced from the high levels current in a number of producing countries but this would be difficult to reconcile with policy objectives in these countries concerning producer incomes. Despite measures taken to reduce consumer prices in a few such countries, the majority tended either to export their surplus butter by
means of export subsidies or to limit imports severely. Since there were no signs of any basic improvement in either the supply or demand aspects, there was general agreement on the seriousness of the outlook for butter described in CCP 61/10.

(iii) Assessment of the Extent of Adoption of Measures to Relieve the Butter Situation

81. The Committee reviewed a paper on this subject (CCP 61/11) prepared by the Secretariat on the basis of information supplied mainly by member countries. It was thought that the paper was a useful compilation and that the material contained in it would be directly relevant to future work of the Secretariat on the economic problems of the dairy industry. The Committee considered its recommendations of 1958 to improve the butter situation to be fully applicable to present conditions and requested that they should be brought to the attention of governments again.

(iv) National Dairy Policies and Problems in Developing Countries

82. The Committee considered four Secretariat papers: "Dairy Problems, Policies and Programs in India" (CCP 61/4); "Dairy Development and Policy in Yugoslavia" (CCP Working Paper No. 61/3); "General Review of Economic Aspects of Dairy Development in Latin America (CCP Working Paper No. 61/1); "Characteristics and Problems of Foreign Trade of Dairy Products in Latin America" (CCP Working Paper No. 61/2). The Delegate of India drew attention to certain desirable amendments to improve the evaluation of the situation. The completed paper on Yugoslavia would be presented to the CCP next year. The Committee also heard with great interest reports from delegates of several countries on the development of their dairy industries.

83. The Committee regarded the investigation of dairy policies and problems in developing countries as a valuable contribution and asked the Secretariat in its continuing work to lay emphasis on the analysis of the effects of dairy policies of such countries on production, consumption and foreign trade.

The Skim Milk Powder Situation

Skim Powder and Casein

84. At its previous session, the Committee had requested an examination of the interrelationships between these two products and of the possibility of casein providing a larger alternative outlet for liquid skim milk. The Secretariat's document on these topics (CCP 61/5) which came to the conclusion that casein could not currently provide an alternative outlet for skim milk substantially above the present intake, was considered a useful beginning in the study of processed skim milk products.

Substitution of Other Fats for Milk Fats in Dairy Products

85. The Secretariat reported that arrangements had been made for a staff member to visit the Philippines and Ceylon to study the development of production and trade in milk substitutes as a major part of the preparation of the study which had been on the agenda of the Committee for some time. A number of members and observers expressed their interest in this subject. A feature
giving rise to special concern was the frequent misrepresentation of the actual nature of the products made by the combination of skim milk powder and vegetable oils. It was agreed that the instructions of the last session should stand; the objective of studies should include analysis of the effects of this product on total milk consumption, the possibilities of its use as a stimulus or disincentive to local production, and its effects on world consumption of milk fats, other fats and oils, and non-fat milk solids.

Future Arrangements for the Consideration of Dairy Products

86. The Committee established a working group to consider its work on dairy products, with particular reference to the consideration of these problems in other international bodies. The working group discussed the continuation of existing studies and initiation of a new basic study on the imbalance of dairy supply and demand. Its report, as adopted by the Committee after discussion and some amendments, was as follows:

(i) Situation and Outlook

The CCP would continue to consider the dairy situation and outlook as presented in the annual FAO Commodity Review. This Review would be supplemented, however, for purposes of CCP consideration, by individual papers on dairy commodities according to the urgency of the current market situation or the existence of other special problems.

(ii) National Dairy Policies

General: The Annual Review of National Dairy Policies should be continued and given high priority.

Review of the Butter Situation: Since the situation in butter was likely to remain serious, a separate paper should be prepared for the next CCP.

National Dairy Policies and Problems in Developing Countries: This work was most valuable and should be continued, and within the resources of the Secretariat, expanded.

(iii) Economic Study of Skim Milk Powder

There was general agreement on the importance of economic studies for skim milk powder. Several delegates offered to make available to the Secretariat detailed information, particularly on utilization in their respective countries, and suggested that data be collected by questionnaire.

(iv) Substitution of Other Fats for Milk Fats in Dairy Products

The Committee agreed with the Secretariat arrangements for undertaking an investigation in the Philippines and in Ceylon of production and trade of products prepared from skim milk powder and vegetable oils.
(v) Means of Adjustment of Dairy Supply and Demand

An outline for a study "Means of Adjustment of Dairy Supply and Demand" was approved and is reproduced in Appendix 2. During the discussion it was emphasized that the study should deal with the fundamental issues. It should also take full account of the special problems of developing countries.

The Secretariat, while stressing its limitation of resources, thought that a first report, in the form of a working paper, could be presented to the CCP session in 1962. The Committee underlined the importance of cooperation on the part of interested governments in providing information and the Director-General was requested to draw the attention of governments and other international agencies to the decision to undertake the study. He should also request each interested government to nominate an expert with whom the Secretariat could correspond.

(b) Meat and Eggs

Situation and Outlook

87. World meat production and trade in 1960 were at record levels, though the expansion of trade has slowed down in comparison with previous years, largely because of reduced exports of beef from the Southern Hemisphere. Prices, on the whole, had remained relatively satisfactory. World meat production was expected to continue to expand in the current year but, as the increase would be mainly in the importing areas, world trade was expected to remain virtually unchanged in comparison with 1960. The Committee noted that the outlook for meat was relatively favorable as demand was likely to be well maintained under the influence of the expected growth of income.

88. The expansion of world egg production was checked in 1960 because—under the impact of very low prices in 1959—laying flocks had been reduced in a number of countries of Western Europe and North America. World trade expanded, owing to a high level of demand in the major importing countries. Prices averaged generally higher than in 1959. It was estimated that in the current year laying flocks would again expand in view of improved egg-feed price relationships, while the volume of world trade was likely to remain more or less equal to 1960.

3. Fats and Oils

Situation and Outlook

89. There were three outstanding features in the current fats and oils situation. A scarcity of export supplies from Mainland China, reflecting poor crops last autumn, had resulted in a considerable increase in prices of most fats and oils in international markets. Secondly, there had been a nearly complete recovery by early 1961 in world production of copra and coconut oil from the low levels of 1958 and 1959, caused by drought in the Philippines and elsewhere. With heavy supplies in the market, prices of copra and coconut oil had fallen to exceptionally low levels compared with prices of other oilseeds and oils. This in turn was encouraging utilization of coconut oil and it did not
seem likely that its price would decline much further. Thirdly, the substantial increase in the U.S. support price which had been announced for the 1961 soybean crop might prove to be a significant price-supporting factor in the international market for fats and oils in late 1961 and the first half of 1962.

**FAO Group on Coconut and Coconut Products**

90. The Committee noted that there had been no session of the FAO Group on Coconut and Coconut Products during the period since the last CCF Session, but that a session was planned to be held from 4 - 9 December 1961 at Trivandrum, India. At the coming session, the Group would continue its work on the economic aspects of production, trade and consumption, including review of the situation and outlook discussion of marketing problems, and consideration of Secretariat papers on factors affecting the substitution of other oils and fats for coconut oil in European markets and on the effects of national policies on copra and coconut oil trade and prices.

**FAO/SCA Study of African Groundnut Problems**

91. The Committee was informed that FAO was preparing a study of the economic factors affecting prices for African groundnuts and groundnut oil for use at a meeting to be convened by the UN Economic Commission for Africa to consider stabilization problems of commodities of importance in the exports of Africa.

**Activities of the International Olive Oil Council**

92. The Committee welcomed a statement by the Director of the International Olive Oil Council concerning activities under the International Olive Oil Agreement. Whilst in its first three sessions the Council had dealt mainly with organizational matters, it was now in a position to tackle substantive problems. Wide annual fluctuations in the olive crops were one of the basic problems of the industry and the Council would tackle these problems by various means, including a consideration of ways of facilitating the holding of stocks of olive oil in years of heavy production. The Council hoped to maintain the close cooperation already established with FAO on economic and statistical matters and in other fields of mutual interest.
4. Cocoa, Coffee and Tea
(a) Cocoa

Situation and Outlook

93. There has been a marked change in the production and demand situation of cocoa in the past two years. World production had grown significantly and while consumption had also increased, it had not kept pace with production, with a consequent pressure on prices. The substantial increase in output was the result of better cultivation practices and the wider adoption of pest and disease control measures in West Africa, and also of the coming into production of trees planted during the previous decade. Further increases were expected in the next few years in most of the major producing countries. Consumption recovered from the adverse effects of the high prices in 1957/58 and was expected to reach a record close to a million tons in 1961, an increase of 7-10 per cent over the previous year. The current low prices for beans had stimulated a further expansion. Stocks had risen in importing countries. Producing countries were concerned about the serious price decline for cocoa.

Activities of the FAO Cocoa Study Group

(i) Preparation of a Draft International Cocoa Agreement

94. The Committee received the report of the Fourth Session of the FAO Cocoa Study Group, held in Accra in April 1961 (CCP 61/16), and noted that other meetings of the Group's committees had taken place since the Committee's last session. In October, the Executive Committee, after analysing the changes in the supply/demand situation and the consequent decline in prices, had set up Working Parties on Price Stabilization and on the Development of Consumption, which met in February 1961, and a Working Party on Cocoa Grading which was to meet in September. The Working Party on Price Stabilization had prepared a report recommending that further study should be given to the possibility of an export quota type of international agreement for cocoa.

95. At its Fourth Session the Group examined these proposals further, and set up a committee to prepare a draft of an international agreement for an export quota scheme. The Committee noted that the drafting committee would meet from 19 to 23 June in Rome and that its report and draft would then be submitted to governments. It was understood that, if the Group or its Executive Committee concluded in the light of replies from governments that there was likely to be an adequate basis for the negotiation of an agreement, a negotiating conference should be held as soon as possible thereafter. The Committee was informed that the Director-General had already consulted informally the Secretary-General of the United Nations on arrangements that would be required for the calling of a negotiating conference.

96. The Committee approved in principle the action recommended by the Cocoa Study Group. Consideration was given by the Committee to the best course of action to be taken if, prior to the next Session of the CCP, the FAO Cocoa Study Group, or its Executive Committee, came to the conclusion that there was likely to be an adequate basis for negotiation of an international agreement for cocoa, and that steps should be taken without delay for convening an International Cocoa Conference, in accordance with Resolution 296 (XII) of the Economic and Social Council.
97. In considering this matter, the Committee recalled, in particular, that in line with the principles laid down in ECOSOC Resolution 296 (XI), it was important: (a) that there should be no procedural delays in the summoning of commodity conferences; but also (b) that a commodity conference should, as far as possible, not be held until there was some assurance that an agreement was a possibility and that there had been adequate preparation of the necessary documentation. In order to provide for the speedy initiation of formal action, the Committee agreed, as an exceptional measure, to accept the procedure proposed by the FAO Cocoa Study Group. This was that authority would be delegated to the Group's Executive Committee (on which all Members of the Group are represented) to decide whether or not the conditions outlined under (b) were sufficiently met for requesting the Director-General of FAO to take formal action in asking the Secretary-General of the United Nations to take the steps required for convening a Commodity Conference in conformity with the procedures laid down under ECOSOC Resolution No. 296 (XI) and related provisions.

98. In making these advance provisions for the eventuality of a request for a Cocoa Conference being made by the Director-General, the Committee also requested the Director-General to state in his communication to the Secretary-General that, should a decision be taken by the Secretary-General in favour of convening a Cocoa Conference, the services of the FAO Cocoa Study Group would be available for any further preparatory work that might be required prior to the convening of the Conference.

(ii) Other Activities of the Group

99. The Committee noted the useful work accomplished by the Group during the past year in the statistical, economic and marketing fields. The estimates of cocoa production and grindings issued by the Statistics Committee twice yearly, as well as the quarterly Bulletin of Cocoa Statistics, filled a need in the cocoa economy and had received increasing attention by governments and in the trade. At the Group's request the Secretariat had initiated a research project under the Technical Assistance Program on techniques of forecasting cocoa production, which was now being carried out in West Africa, and had prepared studies on cocoa grading and storage, and a review of current research projects in various institutes. The Committee was especially interested in the work done in the field of increasing consumption. It noted that a Working Party on Consumption had been established by the Executive Committee and that at the Fourth Session a permanent Committee on Consumption had been set up. It noted that the studies undertaken in this field had proved of use, and various suggestions made by the governments for increasing consumption were under examination by this Committee.
(b) Coffee

Situation and Outlook

100. While world coffee production in 1960/61 fell short of the previous year's record, the prospects for 1961/62 pointed to another heavy crop since the extensive plantings stimulated by the high prices of the early 'fifties were reaching a fully productive stage. While coffee consumption in importing countries showed little change in 1960, domestic disappearance in producing countries, especially in Latin America, appeared to have risen appreciably in response to government measures.

101. Trade failed to increase significantly in 1960, the increase in imports into other countries being almost offset by the decline in United States' imports. Since there were no signs of improvement in trade in 1961, some participants in the International Coffee Agreement had voluntarily decided to reduce their export quotas for the first half of the year.

102. The relatively poor crop of 1960/61 caused only a moderate increase in stocks. However, when the forthcoming crop was added to the carry-over, the total was likely to be sufficient to supply import requirements for about two years at the current level of consumption. Surplus stocks had also emerged in some African producing countries.

International Coffee Agreement and Need for Long-Term Solution

103. Export limitations had succeeded in preventing a collapse of the market and substantial changes in prices were unlikely in the near future.

104. The Committee felt that the current imbalance between production and consumption of coffee might have serious repercussions on the economy of producing countries in view of the paramount position of coffee in their export trade. Thus, every effort should be made to take full advantage of the breathing space provided by the existence of the International Coffee Agreement to devise and implement a long-term solution. In this connection, the Committee noted with interest that Brazil had introduced new regulations aiming at liberalization of trade - within the framework of the International Agreement - the improvement of quality, and diversification of agriculture in coffee producing areas. Other producers were also contemplating action with similar aims.

FAO Contribution to the Study of Coffee Problems

105. The Committee expressed its appreciation of the study "The Coffee Situation and Prospects in São Paulo" carried out by FAO and the Economic Commission for Latin America with the cooperation of the Department of Agriculture of the State of São Paulo and the Brazilian Coffee Institute. The Committee also noted that the FAO study on coffee would shortly be published and that in addition FAO had supplied the Coffee Study Group in Washington with data for the preparation of its study of the world coffee problem. It expressed the wish that this type of cooperation should be continued. In the opinion of the Committee, FAO should continue to devote attention to the problems of diversification of agriculture and the raising of productivity in coffee producing countries.
(c) Tea

Situation and Outlook

106. There were no major changes in tea production and trade during 1960. World output was slightly lower in 1960 than in the previous year, due in particular to a temporary fall in Asian production, though production in Africa and Latin America, where many plantations were coming to maturity, continued to expand. Consumption in producing countries continued to increase, as a result of increased populations, growing urbanization, higher incomes, and the relative cheapness and availability of the product. Consumption in most of these countries was now about two to three times as great as before the war. Prices in 1960 were slightly higher than in the previous two years.

107. A further moderate rise in production in 1961 was expected. In the longer term, production was likely to continue to increase, stimulated by increased demand for domestic consumption, particularly in India and Pakistan, and also as a result of new plantations planned in East Africa and in North Vietnam. Little expansion in the demand for plain teas on European and North American Markets could be expected.

5. Sugar, Tobacco and Spices

(a) Sugar

Situation and Outlook

108. Some significant changes had occurred in the supply/demand situation during 1960/61; there had been a 10 per cent increase in world production; consumption had continued to rise, particularly in some low income areas, but more slowly than production. There had also been a drastic change in the pattern of international trade, as a result of developments in United States—Cuban trade relations and the appearance of USSR and Mainland China as the major buyers of Cuban sugar. One result of the structural change in trade was likely to be a further increase of production in some parts of the world for domestic consumption and (particularly in Latin American countries) to supply the United States market.

Activities of the International Sugar Council

109. The Committee was informed of the recent activities of the International Sugar Council. It was pointed out that the International Sugar Council had successfully coped with conditions which could not have been foreseen when the International Sugar Agreement was re-negotiated in 1958. Some delegates referred to the desirability of a renewal of the agreement adapted to the changed circumstances and the Committee noted that a re-examination of the provisions of the Agreement would take place later this year.

110. The Committee was satisfied with the close working relations maintained between FAO and the Sugar Council in economic and statistical studies on sugar.
(b) **Tobacco**

**Situation and Outlook**

111. In general, 1960 was again a year of prosperity and steady expansion for tobacco, except the oriental types. Both production and consumption rose to record levels stimulated especially by the demand for cigarettes which remained the major dynamic factor in the market. The Committee noted that demand for tobacco continued to expand at a remarkable rate in spite of the adverse factors affecting demand for leaf, such as restrictions on trade, imperfect competition, high duties and internal taxes. However, not all producers benefited equally from the favourable demand situation. While flue-cured leaf continued to enlarge its share of the market, production of oriental and semi-oriental leaf declined because demand for this type of tobacco continued weak.

112. No major changes were expected in the short-term and preliminary information on 1961 indicated a continuation of the trends evidenced in 1960, particularly the tendency of flue-cured production to rise faster than that of other types. In the longer-term, stiffer competition in world tobacco markets was to be expected. There were signs pointing to a rapid increase in output, both in exporting and importing countries. However, oriental leaf producers would probably continue to encounter difficulties in view of the sluggish demand for this type of leaf.

(c) **Spices**

113. The Committee had before it the study "Trends in the World Market for Spices" (CDF 61/20) which had been prepared at the request of the FAO Conference and the Committee. The first part of the study dealt with the economic aspects of spices in general. It explained and underlined the re-appearance of the cyclical behaviour which was typical of the spices economy before the second World War. In the second part, recent trends of production, consumption, trade and prices were examined for pepper, cloves, ginger, pimento, cardamon, cinnamon, cassia, nutmeg and mace, which together account for about 85 per cent of the international trade in spices. The economic problems of these commodities were analysed.

114. The Committee decided to consider the problems of spices again during its next Session. It was noted that, following the decision of ECAC/S Regional Trade Promotion Talks, preliminary discussions on the problem of stabilizing prices of pepper had taken place recently in Bangkok in which Cambodia, India, Indonesia, Sarawak and Singapore had participated. It was felt that problems of pepper might be the subject of discussion in the Committee at a later date, and the view was expressed that the CCP was the appropriate place for such discussion in view of the participation of both importing and exporting countries. In order to make this information available to a wider audience, it was agreed that the document presented to the Committee should be published as a Commodity Bulletin, after revision by the Secretariat in the light of further information and comment from countries interested in the problem.
6. **Citrus and Other Fruit**

(a) **Citrus Fruit**

**Situation and Outlook**

115. The upward trends of world citrus fruit production and trade were halted in the current 1960/61 season. Unfavorable weather had reduced orange and lemon crops both in the Mediterranean region and in the United States, as a result of which a moderate decline in exports was anticipated, together with some changes in the pattern of trade. Import prices of oranges were depressed in the second half of 1960, because of heavy supplies and ample availabilities of other types of fruit, but recovered later. Prices for lemons and grapefruit were somewhat above the levels of the previous season. The production decline in the present season was of a temporary nature and, barring unfavorable weather, a sharp rise in output was to be expected in the forthcoming season. Increased quantities of citrus would thus be available for export. With regard to the longer-term, the latest information showed that there would be a progressive and substantial increase in production of citrus fruit, both as a result of new plantings in recent years and of plans for further expansion.

**Activities of the FAO Group on Citrus Fruit**

116. The Committee received the Report of the Second Session of the FAO Group on Citrus Fruit (CCF/61/27). It took note of the work done by the Group in various fields, and in particular, of the decision to concentrate on work related to expansion of consumption. It noted that the future work program emphasized the following activities: (1) Studies of national policies affecting the production, marketing and imports of citrus fruit; (2) ways of increasing citrus consumption; (3) improvement of citrus statistics and dissemination of statistical information; (4) study of problems relating to standards of quality, quality control, and food additives.

117. The Committee heard statements from various delegations commending the work program undertaken by the Group. It noted in particular the importance of the work on quality standards and quality control, especially in view of the great significance of processed citrus in facilitating increases in consumption. With regard to the request made by the Citrus Group that the CCF should consider "whether some suitable arrangements could be made for delegations of the USSR and other Eastern European countries to meet with a delegation of the FAO Group on Citrus Fruit for the purpose of discussing the export and sale of citrus fruit to those countries", it was felt that quite aside from the legal and procedural complications, the suggestion was primarily a matter of sales promotion which could best be pursued in other fora or by governments on a bilateral basis. It was agreed that, in view of the difficult marketing problems which are likely to arise in the coming years, partly as a result of production increases, the constructive work initiated by the Group justified its continuation. The Committee, therefore, approved the recommendation of the Citrus Group to extend its mandate for the next 1962/63 biennium, it being understood that a further review should be made before the end of that period.
(b) Other Fresh Fruit

Situation and Outlook

118. Production of apples and pears rose by 15-20 per cent in 1960/61, partly as a result of the two-year production cycle. The increase over 1959/60 was particularly great in the European countries which normally depend on imports for a substantial proportion of their supplies. As a result of the large increases in domestic production, import demand was reduced markedly and prices declined to very low levels. There were indications that, due to the biennial production cycle in Europe, output of apples and pears would be lower in 1961/62, which should result in more favourable prices.

119. For bananas, on the other hand, the strong upward trend in international trade continued and imports in 1960 probably reached an all time record with an increase of about 5 per cent in volume over the previous year. Particularly noteworthy were increases in imports into Canada, Western Europe and the United States. Price developments, however, were less satisfactory to exporting countries. Due to the steady increase in exportable supplies of bananas, as well as to the competition from other fresh fruit, banana prices declined further in 1960.

(c) Dried Fruit

Situation and Outlook

120. There were some marked improvements, particularly in the raisin and sultana markets, with the disappearance of surpluses of these commodities. The relatively poor 1960 crops reduced export availabilities, and as a result world market prices staged a good recovery from the depressed levels of the 1959/60 season.

121. The short-term outlook for these fruits appeared to be favourable at least until the second half of 1961 when the maintenance of the present delicate balance of the industry would depend on the size of the new Northern Hemisphere crops. As far as other dried fruits were concerned, some carry-over stocks could be expected from the large 1960 Greek crop of dried currants, while the total failure of the Yugoslav dried prune crop was expected to cause some price increases and a contraction of world trade in this sector during the current season. There were sharp increases in trade in dried figs and products during the past two seasons and a continuing decline in the output and trade in dates.
7. **Fibers and Rubber**

(a) **Cotton**

**Situation and Outlook**

122. World production increased in 1960/61 but in the United States, production and especially supply were significantly smaller. Industrial consumption and trade declined somewhat from the relatively high levels of the preceding season. Prices of medium staple cottons advanced partly because the increased level of price support in the United States for the next season will not be fully offset by the announced increase in the export subsidies. Trade in extra long staple cottons suffered a relatively severe setback and prices declined.

123. There were indications that the carryover into the 1961/62 season would be larger and, since acreage allotted to cotton in the United States was larger and prices of medium staples at least were higher, some increase in production and supply could be expected. Stocks of cotton in major consuming countries were, however, fairly ample and increased industrial consumption might not lead to any expansion in the volume of trade.

**Cooperation with the International Cotton Advisory Committee**

124. The Committee was informed that the International Cotton Advisory Committee, at its recent annual meeting in Tokyo, had been presented with a report on Prospective Trends in Consumption of Cotton and Other Allied Fibers which had been prepared in close cooperation with the FAO and other interested agencies. Further work on production trends was under consideration by the Cotton Advisory Committee, together with a proposal for exchanges of technical information on the improvement of cotton yields and related matters. The question of the extent of technical work to be undertaken by the Cotton Advisory Committee and some points of principle involved were being considered further by that Committee and it was understood that FAO's informal advice might be sought on some of them, with reference also to the procedures followed on such matters by the FAO commodity groups. Interest had also been expressed by some Delegations at the Tokyo meeting the work now in progress in FAO on questions of surplus utilization following the General Assembly Resolution and in the possible consideration of cotton surpluses in this connection. Further, information had been requested on any work that had been, or might be, done in FAO on the utilization of cottonseedcake flour for human consumption. Much interest had been displayed in FAO's periodic reports on Per Caput Fiber Consumption Levels.
(b) **Wool**

**Situation and Outlook**

125. Production suffered a setback in 1960/61 due primarily to a poorer season in Australia and South Africa. Industrial consumption was on a reduced scale in the first half of the season due to continuing recession in the United States and some slowing down in economic activity in Western Europe. Stocks in those importing regions declined. Prices sagged until mid-season but there was some recovery thereafter. The volume of trade for the whole season might not be greatly affected, being influenced to some extent by the economic recovery in the main consuming regions.

126. With better growing conditions, some increase in wool clips was in prospect for the 1961/62 season but this was unlikely to be very large. A recovery in economic activity in the United States, coupled with a stepping up of economic growth in Western Europe should lead to a restocking movement and an advance in wool prices.

127. In connection with the outlook for wool, the Committee noted that joint action had been taken by New Zealand, South African and Australian authorities to expand promotional activities for wool.

(c) **Jute**

**Situation and Outlook**

128. Due to poor weather conditions in the main growing region there was only a meagre increase in the production of jute and allied fibers in 1960/61, and, with the opening carryover on a very reduced scale, total supply was smaller. Although trade and industrial consumption were restricted both in Western Europe and the Far East, prices advanced to abnormal heights.

129. With the abandonment of acreage controls on jute in Pakistan last year and the higher prices this year, larger plantings of jute were expected in 1961/62 and, with more favourable weather, larger crops. Since industrial stocks had been much depleted, a re-expansion in trade and consumption might also be expected.

**Proposal for the Establishment of a Study Group on Jute**

130. The Committee, after having considered at its Thirty-Third Session a proposal by the Delegate of Pakistan for the establishment of a Study Group on Jute, had decided that the proposal be reviewed again at the Thirty-Fourth Session and asked the Director-General, on the completion of certain consumption studies, to convene an ad hoc meeting with a view to highlighting the conclusions which could usefully be placed before the Committee when it considered the proposal for setting up a study group.

131. The Committee was informed that the Director-General had not yet found it possible, because of financial limitations, to convene the proposed ad hoc meeting.
132. The Delegate for Pakistan reiterated his concern about the problems affecting the world jute economy and the resulting need for machinery for intergovernmental consultations. In particular, he pointed out that the producing countries, far from being happy with the recent high prices of jute, were concerned about the danger to consumption in such excessive gyrations of market prices. The consumption studies completed by the FAO Secretariat and preliminary talks held on the basis of these studies by some interested producing countries in the U.C.I.P. Committee on Trade should now be followed to their logical conclusion through the establishment of a study group.

133. Whilst the renewed proposal by the Delegate of Pakistan had received substantial support from other interested delegations, the Committee felt nonetheless that, in line with its carefully devised procedures, the decision concerning the establishment of a study group should depend on the findings of a prior ad hoc meeting. This meeting should consider, in the light of the Committee’s criteria, the desirability of establishing a study group for jute and allied fibers and the terms of reference under which such a group, if established, should operate. Such an ad hoc meeting should be convened in time to report to the CCP at its 1962 Session.

(d) **Hard Fibers**

**Situation and Outlook**

134. World production increased only slightly in 1960. Opening stocks in producing countries had, however, been reduced and on the whole supply was smaller. There was little change in the level of consumption but trade, especially in lower grade henequen and in abaca, was smaller. Prices of abaca and henequen receded, but those of sisal remained firm until early 1961, when some destocking in importing countries resulted in a drift downwards, which was halted by uncertainties as to output in politically disturbed parts of Africa.

135. Assuming political conditions were favourable, little change in output was to be expected. The renewal of economic expansion in United States and the expanding use of hard fibers in agricultural twines suggested that the current level of demand could be at least maintained.
Proposal for the Establishment of a Study Group on Hard Fibers

136. The Committee gave consideration to the renewed request of the Government of the Philippines for a Study Group on Hard Fibers, at the same time noting the technical and related economic problems affecting the production of Philippine abaca. The Committee was aware of the long-standing nature of the request and the substantial support that had repeatedly been given to it by a number of other delegates from hard fiber producing countries. Nevertheless, the Committee felt that it could only take a decision in the matter in the light of specialized advice on the international aspects of the problems and on the extent to which its criteria for establishing study groups were met in the case of hard fibers. The Committee therefore asked the Director-General to convene an ad hoc meeting of interested FAO Member Nations to report to the Committee's 1962 Session on the desirability, in the light of the Committee's criteria, of establishing a Study Group on Hard Fibers (abaca, sisal and henequen), and on the terms of reference under which such a study group, if established, should operate.

137. Whilst emphasizing the need for the greatest possible economy as far as meetings were concerned, the Committee decided that because of the marked differences in technical characteristics, geographical distribution of production, the different problems facing the industries and different end-uses, it was not a practical solution for problems of hard fibers to be considered by the same ad hoc group as those of jute. The Committee requested the Director-General to consider arrangements for the two meetings on jute and hard fibers to be held consecutively at the same place, if practicable.
(e) **Rubber**

**Situation and Outlook**

138. International trade in natural rubber declined in 1960 by about 10 per cent from the record level of 1959. Prices after having reached their highest level since 1955 in late 1959 and again in May 1960, declined sharply in the latter half of 1960, but average prices for the year were above those of 1959. Production in 1960 was about 6 per cent below the record level of 1959 and stocks in producing countries rose somewhat. The resurgence in industrial demand in the major consuming countries might not raise prices to a level which would encourage substantial additional output from smallholders. Since estate production is less sensitive to price fluctuations, it is not likely that there will be any significant change in the production of natural rubber in 1961. In the course of 1960, there were releases of 151,000 tons of natural rubber from U.S. and U.K. government stocks under disposal plans which in each case provided for a cessation of sales when the price level fell below a specified cut-off point.

**E.C. Cooperation with the International Rubber Study Group**

139. The Committee requested that FAO should maintain closer relations with the International Rubber Study Group and that developments in the field of both natural and synthetic rubber should be followed and reported to the Committee.
8. Forest Products

Situation and Outlook

140. The year 1960 was a record one for production, trade and consumption of forest products. The greatest advances were achieved in Europe and the USSR, followed by Asia and the Pacific Area. In North America, increases were reported for plywood and pulp products, but sawnwood lost ground. Trends in Latin America were similar while in Africa both production and consumption were unchanged or declined.

141. The importance of the pulp sector continued to grow and world demand for paper and board were expected to double by 1975. This gave rise to concern about the availability of raw material for further expansion in several parts of the world, and accounted for the growing preoccupation with the need for more accurate appraisals of existing resources and for efforts to expand this resources base through the plantation of fast-growing species. Forest policies were being made increasingly subject to re-examination with the object of setting production goals more consonant with the changing pattern of demands.

142. There had been an increase of nearly 50 per cent in world output of industrial wood during the past decade. However, Asia, Africa and Latin America had only contributed one fifth of the total increase in output of industrial wood during the past decade, and countries in the early stages of development, though well endowed with forest resources, had a significant and in many cases growing adverse balance of trade in forest products.

143. A further increase in output was expected in 1961 in North America and the upward trend in the USSR would also continue. In Europe expansion was expected to continue but scarcity of labor might slow down the rate of expansion. In the Pacific area, last year's level should at least be maintained, in spite of current uncertainties in Australia. A revival in Africa was regarded as long overdue and might materialize. Further advances in the output of pulp products were expected in Latin America and signs were not lacking that the present stagnation in sawnwood production and trade would be overcome.
9. **Fishery Products**

**Situation**

144. World fish production continued its upward trend and increased by over 5 per cent during 1960 to a level of about 37.5 million tons. This increase was mainly accounted for by increases in Japan and the USSR and, above all, by the continued spectacular increase in Peruvian production, while in Europe and North America, production had fallen off especially in the important herring fisheries. The Committee drew attention to the importance in some cases of long-term measures for the conservation of fish stocks and those applied by Canada and the United States to the North Pacific halibut and salmon fisheries were cited.

**Consultations on Fish Meal**

145. A large part of the increase in world fish production in recent years was accounted for in fisheries based more or less exclusively on the manufacture of fish meal, notably in Peru, and fish meal and its by-products now accounted for about 30 per cent of total world production. In these circumstances, the rapid deterioration of the world market for fish meal during the latter part of 1959 and in 1960 had serious repercussions in many countries. The Committee was informed of the International Meeting on Fish Meal, convened at FAO, Rome, in March 1961, to review this situation and to consider effective ways and means to extend and consolidate world markets. With regard to the demand for fish meal for animal feeding it was concluded that while the very rapid increase in fish meal production had been a major factor in the collapse of world prices, fluctuations in supply, price and quality had also been important factors as well as competition from other animal feeds. In the future, fish meal, while continuing to enjoy certain advantages in relation to other high protein feeds, would probably have to compete on the basis of its total nutrient value as it became more practicable to make up deficiencies in other feeds by the use of synthetic amino acids.

146. There was some recovery in fish meal prices towards the end of 1960 and onwards and the Committee was informed of certain measures adopted by some exporting countries which were claimed to have had this effect. The Committee asked to be kept informed of further developments.

147. The International Meeting on Fish Meal had also given particular consideration to the possibilities for promoting the use of fish meal and fish flour for human consumption. The Committee noted the Director-General’s proposal to establish, on the recommendation of that Meeting, a Working Party of Experts to evaluate the possible requirements of potential consuming countries and to suggest the most practicable ways and means of promoting consumption of these products. Pending a report of the proposed working party, the Committee felt that it could not usefully offer further comment but it noted that the matter might be of some importance in the context of the Freedom-from-Hunger Campaign.
PART THREE

WORK OF THE CCP AND RELATED MATTERS

V. ARRANGEMENTS FOR SESSIONS OF THE CCP AND OF CCP COMMODITY GROUPS

1. Pre-Conference Session of the CCP in 1961

149. The Committee decided that, unless there were unforeseen new developments, its customary brief pre-Conference Session need not be held. Instead, the Committee requested the Director-General to present to the Conference on its behalf a brief report on such new commodity policy developments and considerations (including considerations by any of the Committee's own groups such as the FAO Cocoa Study Group) as would normally have come to the Committee's pre-Conference session for prior review. The Committee also requested the Director-General to consider, in consultation with the Chairman of the Conference Session if circumstances appeared to warrant it.

2. Arrangements for the 1962 Session of the CCP

149. The Committee decided that its next main working session should be held in April/May 1962. The exact dates would need to be determined by reference to arrangements of the Joint CICT/CCP Session (see Section VII) and were likely to cover the eight working days from Wednesday, 25 April to Friday, 4 May, with the provision of a brief additional period for concluding the business of the CCP Session after the termination of the Joint CICT/CCP Session.

150. Pending new developments and the consideration of any matters that might arise from relevant actions and directives by the Conference and Council, the Committee decided that the Draft Agenda for the 1962 Session should include the following items.

Draft Agenda Notes for the 1962 Session

I. Salient Features of the World Agricultural Commodity Situation and Problems

The Conference, at its Tenth Session, had asked the Committee to give more attention to the broader aspects of policies as well as to individual commodity aspects. Bearing in mind these Conference directives but also the limited time available for the Session, statements presented in this introductory debate should focus, in as brief a form as possible, on major new developments and policy issues and on such special problems of international significance as may require the attention of the Committee, subsequent to the consideration of commodity matters at the Eleventh Session of the Conference.
Draft Agenda Notes for 1962 Session (cont'd)

II. Food Aid and Surplus Utilization

1. Matters Arising from General Assembly Resolution 1496(XV) and Resulting Work

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

3. Other Periodic Reports and Related Matters

III. Matters Relating to Individual Commodities

1. Review of Individual Commodity Problems

As far as possible, the Committee's review of the situation, outlook, intergovernmental consultations and arrangements for individual commodities will not be taken under separate sub-headings but will form part of one main Review of Individual Commodity Problems. Matters arising from reports of the Committee's own commodity groups will form part (unless otherwise noted) of this item on the agenda, together with any matters arising from other intergovernmental consultations and arrangements for individual agricultural commodities or groups of commodities.

In this connection, the Committee was informed that the Rome Session of the CICT in 1962, and of its Working Party on the Commodity Situation and Outlook, in undertaking their own commodity reviews, would like to rely largely on the findings of the CCP relating to agricultural commodities. Discussions by the CCP of these items would, therefore, need to be taken early in its 1962 Session but would be confined in the main to major aspects requiring special attention and to features other than those already adequately described in the FAO Commodity Review.

2. Special Aspects

Dates will be set in advance for discussions under separate sub-items, probably during the later part of the Session, on Dairy Products and Spices. The Committee will also review under separate sub-items the recommendations of the Ad Hoc Meetings on Jute and Allied Fibers and on Hard Fibers as well as a report on the state of consultations concerning a possible international agreement for Cocoa.
Draft Agenda Notes for 1962 Session (cont'd)

IV. National and International Commodity Policies

   (a) Guiding Principles
   (b) Special Studies
   (c) Review of Recent Developments

2. Regional Policies for Economic Integration

3. International Commodity Stabilization Techniques and Arrangements
   (a) Summary Review of Recent Studies and Consultations on International Stabilization Measures and Techniques
   (b) Studies and Consultations on Compensatory Financing

V. Major Developments in the World Agricultural Commodity Situation - Conclusions and Recommendations

VI. Future Work of the CCP and Related Matters

1. General Aspects and Arrangements for Future Sessions

2. Definition of "Commodity Study Groups"

3. Matters Arising from the Joint CICG/CCF Session.

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151. The Committee requested the Director-General, acting in consultation with the Chairman, to draw up at a later stage the customary detailed timetable for conducting the agenda of the Session. While any such proposed timetable had necessarily to be of a provisional character, the Committee stressed the importance of adhering as far as practicable to the timetable as circulated to members and observers in advance. The Committee decided that not less than one working day, possibly after the conclusion of the Joint Session, should be reserved for the CCP consideration of Dairy Products.
152. More generally, the Committee concluded that the need for concentrating discussion on major items and for streamlining such discussions were of particular importance during the 1962 Session, which was envisaged as being of much shorter duration than usual. In drawing up the agenda, however, attention would need to be given not only to commodities of general interest but also to some of vital concern to a small number of countries.

3. Sessions of CCP Commodity Groups and Ad Hoc Meetings

153. The Committee was informed that arrangements had been made for the FAO Group on Coconut and Coconut Products to meet in Trivandrum, India, in December 1961 and for the Consultative Sub-Committee on the Economic Aspects of Rice to meet in Rangoon, Burma, in February 1962.

154. The FAO Group on Grains would meet in Rome subsequent to the 1962 Session of the CCP. The Committee was informed that the Group had expressed a preference for meeting in June 1962. The Director-General would take these wishes into consideration, although it was possible that the session of the Grains Group would have to be held in the second half of 1962 in view of the heavy servicing requirements for the CCP, CICT and Joint CICT/CCP Sessions during the first half of that year. The FAO Group on Citrus Fruit was expected to meet in the second half of 1962, possibly in one of the European countries. Plans for the next full session of the FAO Cocoa Study Group would depend, inter alia, on the decisions taken about a negotiating Cocoa Conference.

155. Dates and Arrangements for the Ad Hoc Meetings for Jute and Allied Fibers and for Hard Fibers would be determined by the Director-General as soon as practicable, bearing in mind the Committee's wish to receive the resulting reports at its 1962 Session.
VI. Arrangements for the Proposed Joint Session of the UN Commission on International Commodity Trade (CICT) and of the FAO Committee on Commodity Problems (CCP)

156. The Committee considered document 61/25 prepared by the Secretariat on arrangements for the Joint Session of the UN Commission on International Commodity Trade (CICT) and of the Committee on Commodity Problems (CCP). The document contained a summary of the consultations carried out between the Secretary-General and the Director-General and of action taken by the CICT at its Ninth Session on arrangements for the Joint CICT/CCP Session.

1. Draft Agenda and Time Table

(a) Draft Agenda

157. The Committee had a detailed discussion on the draft agenda which had been jointly proposed by the Secretary-General and the Director-General and the re-formulation of that agenda agreed by the CICT. These two versions are set out below.

<table>
<thead>
<tr>
<th>Agenda proposed jointly by the Secretary-General and the Director-General</th>
<th>Agenda as re-formulated by the CICT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Study of prospective production of, and demand for, primary commodities.</td>
<td>(1) Study of prospective production of, and demand for, primary commodities, including the question of &quot;the production of, and demand for, food in relation to the problem of hunger&quot; in terms of General Assembly resolution 1496 (XV).</td>
</tr>
<tr>
<td>Substantive reports covering as many of the major commodities as practicable are to be prepared by the United Nations and the FAO for consideration by the joint session (paragraph 61 (d) of the report of the seventh session E/3225). Further action in this matter by the General Assembly, the Economic and Social Council and FAO may also require the attention of the joint session.</td>
<td></td>
</tr>
<tr>
<td>2. The production of, and demand for, food in relation to the problem of hunger (General Assembly Resolution 1496 (XV)).</td>
<td></td>
</tr>
<tr>
<td>The discussion of this item may be related to that on item (1) and other developments.</td>
<td></td>
</tr>
</tbody>
</table>
3. Some aspects of national and international commodity stabilization policies and measures, including possibly
   (a) National marketing boards and price stabilization funds, and
   (b) International compensatory financing in relation to fluctuations in the prices of primary commodities.

158. With respect to the item "Study on Prospective Production of, and Demand for, Primary Commodities", the Committee understood that the discussion in the Joint Session should concentrate particularly on the broad policy implications which might be drawn from the studies presented to the Session on projections of demand for, and supply of, commodities.

159. With respect to the other items, some members of the Committee preferred the CICT version, whilst others would have preferred the original formulation because it gave more scope for a broader and more fundamental discussion of the policy problems of interest to both bodies. Some delegations questioned the adequacy of either of the agendas as a basis for a successful joint session. Nevertheless, in view of the special circumstances and time limitations, the Committee requested the Director-General to proceed on the basis of the agenda accepted by the CICT.

160. The Committee requested the Director-General to undertake, in consultation with the Secretary-General of the United Nations, the preparation of adequate documentation to ensure the successful completion of the proceedings of the Joint Session. In this respect, the Committee noted the intention of the Director-General to include in the annual FAO Commodity Review for 1962, in addition to the material normally presented, a special part containing longer-term projections of the demand for, and the supply of, agricultural commodities.

(b) **Timetable**

161. The Committee noted that the timetable proposed by the UN/FAO Secretariats for the Joint Session and regular Sessions of CICT and CCP was as follows:

<table>
<thead>
<tr>
<th>Event</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCP Session</td>
<td>Wednesday, 25 April to Friday, 4 May</td>
</tr>
<tr>
<td>CICT Working Party on the Commodity Situation and Outlook</td>
<td>Monday, 30 April to Friday, 4 May</td>
</tr>
<tr>
<td>Joint Session</td>
<td>Monday, 7 May to Monday, 14 May (a.m.)</td>
</tr>
</tbody>
</table>
CCP Follow-up Session  Monday, 14 May (a.m.)*
CIFT Session  Monday, 14 May (p.m.) - Wednesday 23 May

*With the possible addition, if required, of one further day to accommodate the consideration of Dairy Products.

3. Organizational Matters

162. The Committee was informed that the following arrangements had been proposed and circulated to the CIFT:

(a) Members of Joint Session

All governments, members of either the CIFT or the CCP at that time, would be full members of the Joint Session. All members will have equal status irrespective of whether they belong to one or both bodies.

(b) Observer Governments

All other Member Governments of the United Nations and FAO (approximately seventy-one governments) will be entitled to attend the Joint Session as observers.

(c) Public Sessions

Meetings of the Joint Session will presumably be open to the public unless otherwise decided. Arrangements will be made for the seating of such observer organizations as would normally be accredited to either body. The Joint Session may wish to decide to hold some private meetings.

(d) Rules of Procedure

A simplified set of rules of procedure will be drawn up by the Joint Secretariat covering election of a Chairman and two Vice-Chairmen and providing for taking "the sense of the meeting" without, so far as possible, a formal vote.

Financial Arrangements

163. It had been generally agreed between the United Nations and the FAO Secretariats that the costs of a Joint Session, except those arising from the use of the Russian language, should be shared in equal parts by the two organizations.
VII. COMMITTEE'S REVIEW OF THE TERMS OF REFERENCE, ACTIVITIES AND FUTURE PLANS OF ITS COMMODITY STUDY GROUPS

164. In considering arrangements for a review of the terms of reference, activities and future plans of the Commodity Study Groups (as provided for in the text of the criteria and procedures for the establishment and supervision of these bodies adopted by the CCP at its Thirty-Third Session), the Committee considered that it would be best to make such a review simultaneously for all the groups so far established. The Committee therefore decided to carry out such a review at the session scheduled to take place in the first half of 1963.

165. In order to carry out such a review the CCP requested each of its Commodity Study Groups to submit, well in advance of the 1963 review session, a report containing: (a) a review of its activities in the last few years, the results achieved, and plans, if any, for further work; (b) an evaluation of the practical support given by governments to the work of the Group; and (c) its own views on the adequacy of its terms of reference, and on the practical value of continuing its mandate in the same, or modified, form. In cases where the CCP had limited the terms of reference of a group to some specific tasks of particular importance, it was understood that the work of the group would proceed with this limited mandate.

166. The Committee requested the Director-General to draw the attention of the Commodity Study Groups to the above request at the first session of each Group to take place following the Thirty-Fourth Session of the CCP.

VIII. OTHER MATTERS

1. Rules of Procedure of Subsidiary Bodies

167. The Committee was informed that the Director-General had brought to the attention of the CCP subsidiary bodies, for adoption, the amendments to their rules of procedure which the Committee itself had proposed at its Thirty-Third Session (pars. 117-120 of the CCP Report of the Thirty-Third Session). The Committee noted that all its subsidiary bodies which had held sessions since the Thirty-Third Session of the CCP had adopted rules of procedure incorporating amendments as suggested by the Committee. Action was still pending for one commodity study group, namely the FAO Group on Coconut and Coconut Products, which had not met in that period.

2. Definition of the Term "Commodity Study Group"

168. The Committee noted that the Director-General had initiated an enquiry into this matter as requested by the Committee at the Thirty-Third Session (CCP 61/22: Definition of Commodity Study Group). Consideration was deferred until the next Session of the Committee.

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APPENDIX A

I. UNITED NATIONS GENERAL ASSEMBLY RESOLUTION 1496 (XV)*

Provision of Food Surpluses to Food-Deficient Peoples Through the United Nations System

The General Assembly

Considering that the peoples in many of the less developed countries suffer from serious shortages of food,

Noting with approval that the Food and Agriculture Organization of the United Nations in co-operation with the United Nations, appropriate specialized agencies, Governments of Member States and non-governmental organizations, has launched a Freedom-from-Hunger Campaign designed as a concerted attack on the problem of providing adequate food for food-deficient peoples,

Recalling General Assembly resolutions 827 (IX) of 14 December 1954 and 1025 (XI) of 20 February 1957 and Economic and Social Council resolutions 621 (XXII) of 6 August 1956 and 685 (XXVI) of 18 July 1958 concerning international co-operation in the establishment of national food reserves,

Bearing in mind the existing opportunities for consultation and exchange of information provided by the Food and Agriculture Organization through its Consultative Sub-Committee on Surplus Disposal,

Recognizing that the Principles of Surplus Disposal 1/ and Guiding Lines 2/ of the Food and Agriculture Organization are a valuable instrument for guidance to Governments in transactions, programs, policies, and consultations relating to the disposal and utilization of agricultural surpluses,

* At 908th plenary meeting, United Nations General Assembly, 27 October 1960.


2/ Ibid., para. 300.
Recognizing further that the ultimate solution to the problem of hunger lies in an effective acceleration of economic development allowing the under-developed countries to increase their food production and enabling them to purchase more food through normal channels of international trade,

Convinced of the impelling need to solve the problem of hunger and malnutrition among many peoples and of the role which the United Nations system can play in actions designed to help solve this critical problem,

Further convinced that assistance to food-deficient peoples will help raise productivity and thus contribute to the improvement of their standard of living,

1. Endorses the Freedom-from Hunger Campaign launched by the Food and Agriculture Organization of the United Nations and urges all States Members of the United Nations and members of the specialized agencies to support this campaign in every appropriate way;

2. Appeals to State Members of the United Nations and members of the specialized agencies to take suitable measures to relieve the suffering of food-deficient people in other nations and assist them in their economic development and in their efforts towards a better life;

3. Expresses the belief that international assistance in the establishment of national food reserves in food-deficient countries is one effective transitional means of assisting accelerated economic development in the less developed countries;

4. Invites the Food and Agriculture Organization, after consulting Governments of member States, the Secretary-General and appropriate specialized agencies, to establish without delay procedures — in particular for consultation and the dissemination of information — by which, with the assistance of the United Nations system, the largest practicable quantities of surplus food may be made available on mutually agreeable terms as a transitional measure against hunger, such procedures to be compatible with desirable agricultural development as a contribution to economic development in the less developed countries and without prejudice to bilateral arrangements for this purpose and compatible with the principles of the Food and Agriculture Organization;

5. Further invites the Food and Agriculture Organization, in consultation with Governments of Member States, the Secretary-General, appropriate specialized agencies and other international bodies (such as the International Wheat Council, the Wheat Utilization Committee, etc.), to undertake a study of the feasibility and acceptability of additional arrangements, including multilateral arrangements under the auspices of the Food and Agriculture Organization, having as their objective the mobilization of available surplus foodstuffs and their distribution in areas of greatest need, particularly in the economically less developed countries;
6. **Requests** the Director-General of the Food and Agriculture Organization to report on action taken to the Economic and Social Council at its thirty-second session;

7. **Requests** the Secretary-General, in consultation with the Director-General of the Food and Agriculture Organization and after such other consultations as he may deem necessary, to report to the Economic and Social Council at its thirty-second session of the role which the United Nations and the appropriate specialized agencies could play in order to facilitate the best possible use of food surpluses for the economic development of the less developed countries;

8. **Recommends** that the Secretary-General, in preparing, in consultation with the Director-General of the Food and Agriculture Organization, the provisional program for the joint session of the Commission on International Trade and the Committee on Commodity Problems of the Food and Agriculture Organization which will examine a report on the prospects of the production of, and demand for, primary commodities, include the question of the production of, and demand for, food in relation to the problem of hunger;

9. **Stresses** that any action taken or contemplated under the present resolution proceed in accordance with the Principles of Surplus Disposal and Guiding Lines of the Food and Agriculture Organization, and specifically, with adequate safeguards and appropriate measures against the dumping of agricultural surpluses on the international markets and against adverse effects upon the economic and financial position of those countries which depend for their foreign exchange earnings primarily on the export of food commodities, and in the recognition that the avoidance of damage to normal trading in foodstuffs will best be assured by multilateral trading practices.
THE COUNCIL

Having taken note with gratification of the Resolution [No. 1496(XV)] of the General Assembly of the United Nations on the Provision of Food Surpluses to Food-Deficient Peoples through the United Nations System:

Convinced of the importance of the action taken by the General Assembly and of the urgency and importance of ensuing actions to be taken by the FAO in this field, which has been of outstanding concern to the Organization since its inception;

Authorizes the Director-General to take such action as he deems necessary to get under way the studies and consultations, in line with the mandate given to FAO in the operative part (with special reference to paragraphs 4 to 6) of the General Assembly Resolution, and, in particular, (i) to arrange, if he deems it desirable, for a small ad hoc group of high-level independent experts to aid him in his task; and (ii) to arrange for consultations with the Secretary-General of the United Nations and with the appropriate specialized agencies and other bodies;

Decides to establish an intergovernmental Advisory Committee of FAO member nations to advise the Director-General on the preparation of a report to the Economic and Social Council, it being understood that the Committee would work within the Committee on Commodity Problems (CCP) framework, and, in particular, maintain liaison with the Sub-Committee on Surplus Disposal (CSD) and report its findings and recommendations to the CCP;

Invites the governments of the following nations to serve on the Committee:

- Argentina
- Brazil
- Canada
- France
- Ghana
- India
- Netherlands
- New Zealand
- Pakistan
- Thailand
- United Arab Republic
- United Kingdom
- United States
- of America

Further invites the Chairman of the CCP to participate as an ex officio member of the Advisory Committee;

* At Thirty-Fourth Session of the Council of FAO, 17 - 27 October 1960
Authorizes the Director-General, if he finds it possible within the time available, to call an emergency session of the CCP in time for consideration by the CCP of the report prior to its transmittal to the Secretary-General for circulation six weeks in advance of the Thirty-Second Session of the Economic and Social Council;

Authorizes the Director-General to convene in addition, if he deems it necessary, an emergency Council session to follow on the emergency CCP session, to consider any high policy issues that may arise in connection with the report;

II

Recognizing that no budgetary provision has been made for the expenditures involved;

Authorizes the Director-General under the provisions of Financial Regulation 6.3;

(i) to advance from the Working Capital Fund up to $50,000 to finance the carrying out of the studies and consultations required prior to the Thirty-Second Session of the Economic and Social Council; and

(ii) to advance from the Working Capital Fund an additional amount, not exceeding $30,000, should an emergency session of the Council be convened, to finance this emergency expenditure in accordance with Financial Regulation 6.2(a)(ii).
APPENDIX B

Report of the

Intergovernmental Advisory Committee

on the Utilization of Food Surpluses*

OBSERVATIONS BY THE COMMITTEE

I

INTRODUCTION

1. The Intergovernmental Advisory Committee on the Utilization of Food Surpluses set up by the Resolution of the Thirty-Fourth Session of the FAO Council met in Rome from 5 to 12 April 1961.

(a) Attendance

2. The representatives of the following 12 countries participated in each of its meetings: Argentina, Brazil, Canada, France, Ghana, India, Netherlands, New Zealand, Pakistan, Thailand, United Kingdom and United States of America. The United Arab Republic had been appointed to the Committee but was not represented. The Chairman of the Committee on Commodity Problems, V. Andersen, participated ex-officio. The Chairman of the Expert Group, R.W. Singer, participated as a consultant at the invitation of the Director-General.

(b) Election of Chairman

3. R.E. Moore, United Kingdom, was unanimously elected Chairman.

(c) Terms of Reference and Procedure

4. The Committee noted the relevant paragraphs of Resolution 1456 (XV) of the United Nations General Assembly on the Provision of Food Surpluses to Food-Deficient Peoples through the United Nations System,1 and of FAO Council Resolution 1/34 on the

* Previously circulated as CCP document CCP 61/14.

1/ Among other things, the resolution invited FAO to establish without delay procedures by which the largest practicable quantities of surplus food might be made available to less-developed countries; further invited FAO to study the feasibility and acceptability of additional arrangements, including multilateral arrangements, having the objective of mobilising available surplus foodstuffs and distributing them in areas of greatest need; and requested the Director-General to report to ECOSOC at its Thirty-Second Session in July 1961, on actions taken by FAO. The text of the resolution was reproduced as Appendix I of the draft report “Development through Food - A Strategy for Surplus Utilization”, Rome, 31 March 1961.
Utilization of Food Surpluses. ¹/ Both resolutions had been adopted in October 1960.

5. The Committee had before it the draft report entitled "Development through Food — A Strategy for Surplus Utilization" prepared by the Director-General in accordance with the relevant paragraphs of the above-mentioned resolutions. The Committee expressed its appreciation to the Director-General for the excellence of his draft report submitted for the consideration of the Advisory Committee.

6. The Committee interpreted its terms of reference as being, primarily, to advise the Director-General on the main lines and substance of his report to ECOSOC. It also considered that it was to submit its observations to the CCPR. The Committee considered its task completed with the submission of the present report.

7. The Committee examined each section and, where appropriate, individual paragraphs, of the Draft Report, but did not address itself exhaustively to all points of detail. All the many points of detail made by the Committee were noted by the Director-General, but the Committee has confined its comments in this report to the main issues.

8. It was recognized that delegates participated in the Committee in an advisory capacity and were not, by their expression of views, necessarily committing their respective governments, many of which wished for an opportunity to give fuller consideration to the matters raised in the report by the Director-General.

II MAIN ASPECTS OF THE DRAFT REPORT BY THE DIRECTOR-GENERAL

9. The Committee interpreted the broad principles ²/ underlying the Draft Report as being that:

¹/ The Council decided "to establish an intergovernmental Advisory Committee of FAO member nations to advise the Director-General on the preparation of a report to the Economic and Social Council, it being understood that the Committee would work within the Committee on Commodity Problems (CCP) framework and, in particular, maintain liaison with the Sub-Committee on Surplus Disposal (CSD) and report its findings and recommendations to the CCP". — Provisional report of the Council of FAO, Thirty-Fourth Session, Rome, 17 – 27 October 1960, paragraph 65.

²/ The Director-General in his opening statement to the Committee said, "I consider the United Nations Resolution to be of major importance. It recognizes that the ultimate solution to the problem of hunger and malnutrition is economic development. While the concept that food aid should be granted specifically for this purpose is not new, it now receives with the Assembly Resolution the endorsement of world opinion and becomes established as the guiding philosophy."
(i) expanded aid should be provided for the promotion of economic and social development of underdeveloped countries and for humanitarian relief;

(ii) the pattern of development should be for decision by the underdeveloped countries themselves;

(iii) aid ought to be integrated in the overall development programmes of the receiving countries and planned in such a way as to maintain a proper balance in the development of their economies;

(iv) food aid should be used in such a way as not to endanger the economies of recipient countries and long-term benefits should not be sacrificed for short-term gains;

(v) food aid does and should play an important role in aid programmes;

(vi) the volume of food aid which could be used effectively would be largely determined not only by the available supplies of such aid, but also by the volume of aid available in other forms;

(vii) all food aid programmes should recognize the need to avoid harmful interference with the development of international trade on a commercial basis.

10. The Committee identified the main proposals of the Draft Report as being that:

(i) a multilateral system for the coordination of food aid, particularly for economic and social development, but including specifically emergency and other humanitarian relief, and other forms of advice and assistance should be introduced. Such assistance would be supported by pledges of surplus food, services or cash offered by participating countries;

(ii) in its relation to emergency and other humanitarian relief, there should also be established multilateral arrangements based on the assumption by participating countries of various alternative forms of obligations, including the provision of food, services or cash;

(iii) while food aid on a bilateral basis was expected to continue and to expand, an attempt should be made to coordinate such aid within a multilateral framework;

(iv) the international agency for the administration of food aid on the proposed multilateral basis should be FAO. The Organization should also be prepared to offer advice on problems affecting the provision of bilateral aid, if requested by the recipient or donor countries;

(v) food aid, both on a multilateral and on a bilateral basis, should be planned on the basis of a five-year programme, though it would also be necessary to look further ahead.
III OBSERVATIONS OF THE ADVISORY COMMITTEE

(a) The Role of Food Surpluses in General Economic Assistance to Underdeveloped Countries

11. The Committee endorsed the broad objectives of the Director-General's draft report concerning the utilization of available food surpluses as part of general economic aid. It welcomed the wider conception that food assistance programmes should be more than a mere surplus disposal operation. At the same time, certain delegations drew attention to the fact that this concept of the function of food assistance and its use went somewhat beyond the previously accepted definition of surplus disposal agreed by the Committee on Commodity Problems. There was general sympathy with the Director-General's broad approach which pointed to ways and means whereby food assistance could be most effectively utilized in alleviating malnutrition and hunger in areas of greatest need and in assisting with the development programmes of underdeveloped countries.

12. The Committee considered that the use of food surpluses for such purposes as the partial payment of wages in labour intensive projects, the provision of school lunch programmes, or the establishment and maintenance of national food reserves as part of a supply and price stabilization scheme could make a significant contribution to the economic advancement of underdeveloped countries.

13. The Director-General in his report — and this was also brought out in the course of discussion — emphasized the difficulty of satisfying the nutritional needs of the developing countries by the existing composition of food surpluses. He had suggested that producing countries might adapt their production to meet that situation. Some delegations, while recognizing that present food surpluses have an important role to play, drew attention to the occasional nature of some of these surpluses and also stressed the desirability of mobilizing the resources of efficient producing countries with additional productive capacity for the provision of assistance to food deficient peoples.

14. Certain delegations drew the attention of the Committee to the importance of assuring to underdeveloped countries the maintenance at a reasonable level of their export incomes while their economic development was being sustained by outside assistance. Food surpluses were also accumulating in some of these countries which did not have, at present, the economic resources for either holding or utilizing them.

15. Certain delegations from underdeveloped countries indicated that food aid might preferably be given to them in the form of grants; others expressed a preference for loans. The views of the Director-General on the need to give specially favourable terms to countries in the initial stages of development and with low standards of living were noted. There was substantial support for the view, however, that this was a matter which should be settled in each case by mutual agreement between recipient and aid-giving countries.
16. It was also stated that a greater emphasis should be given to the role underdeveloped countries should play. According to one delegation, the countries benefiting from a programme of expanded utilization of surpluses should endeavour to repay the aid received in some form, with the produce of their soil or labour, thus contributing to the benefit of other needy countries.

17. The Committee underlined the importance of the strict observance of the FAO Principles of Surplus Disposal in any programmes envisaged including, in particular, provision for adequate consultation with other supplying countries concerned. Particular emphasis was laid on the avoidance of harmful interference with the development of international trade on a commercial basis, and of the uneconomic generation of food surpluses in the economically advanced countries.

(b) Conversion of Cereals into Animal Protein Food

18. In its discussion of the relationship of available surplus foods to the nutritional requirements of developing countries, the Committee recognized the need for increased supplies of high protein foods to improve and balance existing diets. In meeting such needs, however, the Committee felt that care should be taken that the supply of protein-rich foods should not exceed the demand, account being taken of the needs of an expanded food aid programme. Some delegates cautioned against the creation of burdensome new surpluses, either of commodities or production capacity.

19. The Committee reviewed the possibilities outlined in the Draft Report of increasing supplies of animal protein foods by encouraging the expansion of the livestock industries of underdeveloped countries, especially dairying and poultry raising, through the increased utilization of surplus grains imported on concessional terms. The Draft Report had also suggested that the economically advanced countries might convert their existing grain surpluses into a more acceptable nutritional form and also as a short-term means of increasing the supply of high protein foods. The Committee acknowledged the desirability of promoting the increased production of high protein foods in the developing countries themselves as a long term objective. Some delegations, however, expressed concern at the problems which might be created if this were to lead to a short-term expansion of capacity both in agriculture itself and in the associated processing industries in the developed countries. While some increased supplies might well be made available without a fundamental expansion of productive capacity, it was felt that any measures of a more ambitious nature taken by developed countries might have adverse effects on the stability of world trade in commodities, particularly if new surpluses were generated in a few years' time, which would entail added difficulties requiring solution. Note was taken, however, of the statements made by the Secretariat that the distribution of protein foods as aid had stimulated the demand for them in some countries, and had also led to an increase in imports through commercial channels.
(c) **Bilateral and Multilateral Arrangements**

20. The Committee gave detailed consideration to bilateral and multilateral activities within the framework of an expanded programme of surplus utilization set out in the Draft Report. In particular it focussed its attention on the question of the precise nature of the multilateral arrangements envisaged, the place of bilateral arrangements within the proposed multilateral framework, and the extent, if any, to which bilateral arrangements should be coordinated by a multilateral agency.

21. The possible organizational arrangements for implementing any international system were discussed. While some delegations stressed the desirability of utilizing the existing FAO machinery, modified if necessary, others felt that any full consideration of such matters was premature at this stage. It was agreed that this was a matter which would require careful study.

22. The Committee noted that it was important to improve the coordination of national and multilateral food aid programmes; but agreed with the Director-General that such coordination should not extend beyond procedures for consultation and the offer of advisory services to either recipient or donor countries, if and when such facilities were requested by either party.

23. The Committee also noted that the Director-General had assumed an expansion of bilateral arrangements as covering the largest part of food assistance; the importance of these bilateral arrangements was emphasized by many delegations. It was also noted that the Director-General envisaged multilateral arrangements for coordination or distribution of food aid only if and when recipient countries requested them, and to the extent that supplies were pledged by donor countries.

24. There was a strong body of feeling in the Committee that, from further consideration, there should emerge specific proposals or recommendations for multilateral actions which could commend themselves to the serious attention of governments. In this connection, however, several delegations proposed that any start made should be on a modest scale in order that the experience required for the successful administration of such a system could be gradually acquired.

**IV CONCLUSION**

25. In the course of the Committee’s consideration of the Draft Report, one fundamental issue, for which there was in some quarters a strong measure of support, emerged as requiring the close attention of governments. This was the early establishment of a multilateral programme.
26. Most of the Committee considered that the approach should be cautious and a beginning should be made on a modest basis by the establishment of a programme supported by contributions in commodities, services or cash under international auspices subsequently to be determined, to provide food assistance for emergencies such as famine or serious shortages arising out of disaster or distress conditions.

27. In this connection, the United States made a specific proposal for an initial programme on a multilateral basis which might aim at a fund of U.S. $100 million in commodities and cash contributions, and for which the United States would be prepared to offer U.S. $40 million in commodities with the additional possibility of a supplementary cash contribution to be explored in Washington. The fund would be available for use over a fixed forward period, perhaps three years. This proposed programme, in which FAO would have a major role, would be designed for emergency relief, but to a limited extent, resources would be used for pilot projects such as school lunch programmes and/or labour-intensive schemes. This U.S. proposal was of fundamental significance.

* * * * * * *
APPENDIX C

List of FAO Member Nations
which have formally accepted the FAO Principles
on Surplus Disposal as of 30 April 1961

| 1. Argentina   | *17. Guinea    | *33. Nicaragua |
| 2. Australia   | 18. India      | 34. Norway     |
| 3. Austria     | 19. Indonesia  | 35. Pakistan   |
| 4. Belgium     | 20. Iran       | *36. Panama    |
| 5. Brasil      | 21. Ireland    | 37. Spain      |
| 7. Cambodia    | 23. Italy      | 39. Switzerland|
| 10. Costa Rica | *26. Laos      | 42. Turkey     |
| 11. Denmark    | 27. Lebanon    | 43. Union of South Africa |
| 12. Finland    | 28. Libya      | 44. United Kingdom |
| 13. France     | *29. Federation of Malaya | 45. United States of America |
| 14. Germany    | 30. Mexico     |               |
| 16. Greece     | 32. New Zealand | 47. Yugoslavia |

* Countries which accepted the Principles subsequent to the Tenth Session of the FAO Conference.
APPENDIX D

SUGGESTED REVISION OF GUIDING PRINCIPLES FOR AGRICULTURAL PRICE STABILIZATION AND SUPPORT POLICIES WITH SPECIAL REFERENCE TO THE NEED TO MINIMIZE ADVERSE EFFECTS ON INTERNATIONAL TRADE

INTRODUCTION

1. There are set out below certain principles for the guidance of FAO Member Governments in establishing or reviewing their agricultural price stabilization and support policies. They have been prepared in accordance with Resolution 8/57 of the FAO Conference, of which the main points were as follows:

"The Conference

Recognizing the desirability of adjusting the supply of agricultural commodities as closely as possible to demand;

Recognizing also the importance in many countries of price and income supports as a means of ensuring a reasonable level of income for farmers as compared with other sectors of the community;

Recognizing that in certain circumstances national agricultural policies may have undesirable repercussions on the level of production and supplies of commodities, and, consequently, on normal international trade and conditions in other countries . . .

Endorses the need for agreed principles to serve as guidelines for use by Member Governments in establishing or reviewing their agricultural price and income support policies in order to ensure that such policies will be effective in achieving their objectives but will have minimum adverse repercussions on the pattern of production and trade of other countries."

The Conference therefore requested that a panel should be set up to undertake further study and:

"To recommend guiding principles designed to minimize the adverse effects of agricultural support policies on international trade, and to be taken into account by Member Governments in establishing or reviewing their agricultural policies. In developing such principles the panel shall have full regard to the special circumstances and problems of countries."
2. The principles are necessarily framed in general terms because of the very wide variety of conditions in the countries concerned and in the problems to which these conditions give rise. Allowance must be made for the differences between countries which are primarily exporters and those which are primarily importers; between countries in which agriculture plays a dominant part in the economy and those in which it is relatively less important; and especially between countries at different stages of economic development. It is therefore important to emphasize that the principles proposed will need to be considered by each country in the light of its own circumstances and the particular objectives of its agricultural policies. Similarly, Governments should take account of all the objectives of FAO (Annex).

3. It must also be recognized that many countries have long-standing and established measures of agricultural price stabilization and support which have been devised with special reference to their own problems and their social economic and political circumstances. Where conformity with the principles would involve changes in these measures it might be difficult to make them rapidly; the guiding principles proposed must therefore be regarded as aims to which countries should attempt to conform over a period of time. In countries where such policies are still being developed these aims may be attained more quickly.

Agriculture in Relation to the Rest of the Economy

4. The inter-relationship between conditions in agriculture and those in the rest of the economy should also be borne in mind by governments in framing agricultural price stabilization and support policies. A prosperous and expanding general economy is a prerequisite for a prosperous agriculture. Equally a high and stable level of income in agriculture will itself contribute to the development of the national economy. Appropriate measures which lead to greater prosperity in agriculture will thus also benefit the entire economy.

5. Nevertheless it is essential that governments should to the greatest extent practicable bear in mind the impact of their agricultural price stabilization and support policies on other countries, especially countries whose earnings of foreign exchange depend essentially on the export of agricultural products. The long-term aim, to which all countries could subscribe, should be an increase in world prosperity and international trade, arising from a more balanced and rational use of resources within and between countries and the avoidance of disturbances in international markets.
Price and Non-Price Measures

6. In the guiding principles which follow an important distinction is made between agricultural stabilization and support measures which directly influence price, and "non-price" measures; i.e. measures which do not directly influence prices to farmers, but which attempt to raise farm incomes by reducing costs or raising productivity. Each of these two broad types of measures, "price" and "non-price," will usually be more effective when used in conjunction with the other. The relative emphasis which governments should give to each type, and the choice of non-price measures, will depend on the conditions in each country and the objectives in view. It is generally recognized that such non-price measures as agricultural research, education and extension, government services for the control of diseases and pests of crops and live-stock and measures to improve agrarian structures are among the most suitable means of increasing the efficiency and competitiveness of agriculture. Such measures may thus permit farm incomes to be maintained with a lower level of support than would otherwise be possible. Some non-price measures have the advantage of being flexible and can often be used more selectively than price supports. They are therefore often better adapted to achieving particular objectives. Some types, e.g. assistance to improve farm buildings or relief from some forms of taxation, can help to increase productivity without necessarily involving increased production. Other types of "non-price" measures, e.g. subsidies on fertilizers or lime, or for small-scale irrigation, may be particularly useful when a rapid increase in production is sought. Whatever stabilization and support measures are adopted, it will be an advantage, both to governments and producers, if the measures are considered in the light of information on the probable course of development of demand and supply for the main agricultural products.

PRINCIPLES

I. General Aims and Criteria

The aims of agricultural price stabilization and support policies and the criteria which may be used in judging them should be as follows:

(a) an agriculture economically capable of providing for farmers and farm workers a level of living adequate in relation to the general levels of the country;

(b) an increase in the efficiency and competitiveness of agriculture, particularly where this would facilitate the reduction of protective measures;
(c) the avoidance of excessive fluctuations in agricultural prices and incomes;

(d) the greatest practicable flexibility of agricultural production in its adjustment to effective demand, with the object of avoiding either shortage or burdensome surpluses;

(e) a balanced and expanding consumption of agricultural products and reasonably stable prices at a level equitable to both producers and consumers;

(f) a balanced development of the economy as a whole without excessive transfer payments from agriculture to other sectors of the economy (as in many economically less developed countries) or from other sectors of the economy into agriculture (as in many more developed countries);

(g) the improvement of the international distribution of primary products, bearing in mind that the attainment of such an objective is a responsibility to be shared jointly by importing and exporting countries.
II. General Guide Lines

1. Price and "Non-Price" Measures

(a) Account should be taken of the fact that in many countries, especially economically less-developed countries, the full effect of price supports, particularly when used as incentives to increased production, will not be obtained unless parallel improvements can be made in institutional factors such as marketing, the provision of credit, and sometimes the system of land tenure, to ensure that price changes actually affect the farmer. Equally improvements in these institutional factors, and other "non-price" measures to raise output and productivity, will often not be fully effective unless they are combined with measures to support and stabilize prices.

(b) Particular emphasis should be given to appropriate "non-price" measures when it is intended to direct support to specific groups of farmers, e.g. low-income farmers or those in regions where farming conditions are difficult. The use of "non-price" measures could be limited in scope and thus would be less costly than a general increase in farm prices.

2. Price Levels

The level at which farm prices are supported is of particular importance in its effect on international trade as well as on production and consumption.

International Trade

(a) Where prices are supported at a level which is high in relation to prices in international trade the result may be an intensified use of import restrictions or of export subsidies. Recognizing this, governments should adopt measures which make it possible to avoid or reduce serious differences between price levels on the home market and the general level of prices over a period in international trade, where this trade is substantial, and with due allowance for any influence of export subsidies on international price levels. For so long as governments find it necessary, because of established policies, to support prices at levels above those in international trade, it is essential that these policies should include measures designed to avoid or reduce disruptive effects on international trade in primary products.

Production

(b) Farm price and income supports should not be at so high a level as to encourage or perpetuate production in excess of effective demand. They should not be so high as to retard the development of a more efficient farm structure, or the movement of manpower and other resources from agriculture to other occupations if this transfer would result in a more effective contribution to the national output.
(c) On the other hand, farm price levels should not be so low as to retard the adoption of more efficient methods of farming, or to act as a disincentive to increased production in countries where a continued expansion of the production of some commodities is necessary, notably, but not exclusively, in economically less-developed countries.

Consumption

(a) Where, in the interests of producers, agricultural prices are supported at a high level, governments should give careful attention to the possible effects on consumption, particularly where there is a risk of surpluses, or where nutritional standards are low.

(e) Where farm prices are kept at a relatively low level in the interests of consumers, governments should give adequate consideration to the effect on farmers' incentive to produce, and on the flow of supplies to the market.

3. Establishment of Price Levels

(a) In establishing price levels, governments should give full consideration to all relevant factors including the probable effect on consumption, production, and changes in productivity, and as far as possible should leave the market to play its part in the formation of prices.

(b) Exporting countries should take into account the likely levels of demand in importing countries. Importing countries should take into account likely supplies in the exporting countries (other than surplus stocks).

(c) In their producer price policies, governments should seek to avoid too great a degree of rigidity in prices while, at the same time ensuring to producers the desired degree of security. For example, by permitting price variations from year to year within prescribed limits, price flexibility may be combined with a considerable degree of security to farmers.

(d) Care should be taken to maintain a reasonable relationship between the prices of different agricultural products so that production in each sector corresponds to effective demand.

(e) Where production costs enter into the determination of prices they should be derived from farms in the country concerned which are economically sound under normal conditions, and they should be used principally as an index of cost movements.

(f) Where formulae methods or index numbers are used to establish price levels, they should not be based on a remote reference period, and should be capable of being applied flexibly.
4. Participation by Producers

Agricultural price stabilization and support policies will often be more effective if farmers themselves take an active part in carrying them out. Governments should encourage farmers to contribute towards the achievement of a more stable and efficient agriculture by improving their marketing methods, e.g. through the development of producer cooperatives, and by adopting improved farming techniques and better methods of farm management. Farmers and farm organizations should participate in the administrative and financial responsibilities of support schemes as far as is practicable.
III. Methods of Implementation

The choice of method must depend largely on the objectives sought, and on the circumstances of the country concerned, including its financial and administrative resources. One criterion, however, which governments should always bear in mind in choosing the methods to implement their agricultural price stabilization and support policies is the desirability of interfering as little as possible with the flow of international trade in primary products. In choosing such methods governments should also take into account the following considerations:

1. Regulation of Imports and Exports

Since there may be particularly adverse effects on international trade when price supports are implemented primarily by measures which aim at regulating the volume of imports or exports, governments should exercise restraint in the use of these measures.

2. Deficiency Payments

(a) Where price supports are implemented by deficiency payments to avoid the direct regulation of imports and also to avoid consumption being restricted by high consumer prices arising from price supports, governments should seek to ensure (as with other methods of price support) that returns to farmers are not guaranteed at a level which would encourage uneconomic production and reduce the scope for imports from more efficient producers.

(b) In view particularly of the financial and administrative difficulties, deficiency payments appear to be less applicable in economically less-developed countries, and also where agriculture is a substantial component of the whole economy, where a large part of the food supply is domestically produced or where a large part of the production is for export.

3. Stabilization Funds

Where appropriate, use should be made of stabilization funds financed by the producers themselves. These are essentially an insurance to limit the effect of short and medium term price fluctuations on farmers' incomes and can be of special value for export products, since individual exporting countries usually have little scope for stabilizing prices on international markets. Such stabilization funds are thus of particular importance to countries heavily dependent on agricultural exports.
4. **Buffer Stocks**

(a) Where the main objective is to reduce short term fluctuations in prices, a cautious buffer stock policy has considerable advantages and, if effectively managed, can be self-financing; this financial consideration is important in less-developed countries, where such price stabilization is usually a primary objective.

(b) Buffer stocks, however, may lead to heavy losses, especially if they become too high, and it seems advisable always to set a ceiling to the level of holdings, though experience shows that under some forms of price support it is extremely difficult to prevent the ceiling from being raised in an emergency.

5. **Avoidance of Over-Production**

(a) Where production, as a result of high price or other support measures, tends to be in excess of normal domestic and export requirements, and where this excess with the assistance of subsidies or special terms, is likely to enter the flow of international trade and to disturb international markets, governments should endeavour to meet the situation by appropriate measures affecting production and consumption. Similar action should be taken by governments in importing countries in cases where high price or other supports encourage uneconomic production and reduce the scope for imports from more efficient producers.

(b) For commodities where production does not respond readily to downward price changes, other means of limiting output, e.g. by production quotas, may be necessary either in importing or exporting countries. Quotas on a tonnage basis may often be more useful than acreage quotas, since the latter may become ineffective as a result of intensive methods of cultivation to raise yields.

(c) Where in order to prevent burdensome surpluses the scope of price guarantees is limited, e.g. to estimated domestic requirements (including essential reserve stocks), the support price should not be so high as to nullify the desired effect on output.
ANNEX: BASIC OBJECTIVES OF FAO

(Extract from the Preamble to the Constitution)

Preamble

The Nations accepting this Constitution, being determined to promote the common welfare by furthering separate and collective action on their part for the purposes of:

raising levels of nutrition and standards of living of the peoples under their respective jurisdictions;

securing improvements in the efficiency of the production and distribution of all food and agricultural products;

bettering the condition of rural populations;

and thus contributing toward an expanding world economy; ....
APPENDIX E

Outline of a Study on the MEANS OF ADJUSTMENT OF DAIRY SUPPLY AND DEMAND

I. THE PROBLEM STATED

(1) Present and prospective extent of the disequilibrium in the world dairy economy (including projection to 1970 on world basis)

(2) Major causes of disequilibrium
   (a) economic (to be discussed within the context of national policies)
   (b) technical

II. SUMMARY REVIEW OF MEASURES ADOPTED OR PROPOSED

Measures and principles recommended by FAO and other international organizations, and any other measures adopted nationally.

III. ANALYTICAL REVIEW

Analysis of actual experience in various countries, to bring out particularly the effectiveness (in quantitative terms where possible) of various measures, reasons why they were chosen, and the problems encountered in their implementation. Account will be taken of both economic and technical factors and of the stage of development of the economy concerned.

(1) Measures mainly concerning production
(2) Measures mainly concerning consumption
(3) Measures mainly concerning international trade
(4) Measures which did not command support

SOME ASPECTS OF THE SPECIAL SITUATION OF DEVELOPING COUNTRIES

Consideration of problems arising from protein deficiencies in underdeveloped countries concurrent with dairy surpluses elsewhere.

(1) Development of domestic dairy industry
(2) Trade questions, including supplies on concessional terms

IV. POSSIBILITIES OF FUTURE ACTION

Effectiveness and feasibility of various alternatives.
APPENDIX F

ACTIVITIES OF THE COMMITTEE ON COMMODITY PROBLEMS SINCE THE TENTH SESSION OF THE CONFERENCE

(Summary Review by the Director-General)

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   b) Rice
   c) Coconut and Coconut Products
   d) Cocoa
   e) Citrus Fruit
   f) Dairy Products
   g) Hard Fibers
   h) Jute
   i) Spices
ACTIVITIES OF THE CCP SINCE THE TENTH SESSION OF CONFERENCE

I. Membership and Organisation

1. Membership

1. At its Thirty-Third Session in November 1959, the FAO Council elected 24 Member Nations to serve on the Committee until the conclusion of the Eleventh Conference Session. They are shown below together with the CCP membership for the period 1955 to 1959. 1

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2. Sessions

2. Since the conclusion of the Tenth Session of the Conference the Committee has held two sessions, namely:

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<td>7-22 June 1960</td>
<td>CL 34/3</td>
<td>CCP 60/30</td>
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<td>30 May-16 June 1961</td>
<td>CL 35/17</td>
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1/ Until the Twenty-Eighth Session in November 1957 the Committee was elected at yearly intervals; since then it has been elected for two-year periods.
3. At its Thirty-Fourth Session, the Committee decided that its customary pre-Conference session need not be held unless there were unforeseen new developments. The Committee requested the Director-General to present to the Conference, on its behalf, a brief report on such new commodity policy developments and considerations as would normally have come to the Committee's pre-Conference session. The Director-General was requested by the Committee to consider, in consultation with the Chairman, the possibility of convening a brief session of the Committee towards the end of the Conference session, if circumstances appeared to warrant it.

3. Attendance

4. The attendance at the sessions of the Committee was as follows:

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4. Chairman and Vice-Chairmen

5. At its Thirty-Third Session the Committee elected Chairman Mr. V. Andersen (Denmark), Luang Sripriya (Thailand) and Mr. C. M. Correa Avila were elected First and Second Vice-Chairmen respectively. In accordance with the CCP Rules of Procedure, the Chairman and Vice-Chairmen will hold office until the election of their successors at the first session of the newly-elected Committee.

5. Terms of Reference

6. The terms of reference of the Committee were laid down by the Conference at its Ninth Session. They read as follows:

"The terms of reference of the Committee on Commodity Problems would be to consider commodity problems of an international character affecting production, trade, distribution and consumption, and related economic matters. The Committee on Commodity Problems would be responsible for keeping the foregoing matters under continuous review in order to be able:

(a) to prepare a factual and interpretative survey of the world commodity situation, which would be made available directly to Member Nations;

and

(b) to report and submit suggestions to the Council on policy issues arising out of its deliberations, it being understood that these reports and those of its subordinate bodies would be made available to Member Governments for their information"

6. Subsidiary Bodies

(a) Existing Sub-Committees and Groups
7. The following are the Subsidiary Bodies of the CCP which were established before the Tenth Session of the Conference:

(i) CCP Consultative Sub-Committee on Surplus Disposal;
(ii) FAO Group on Grains;
(iii) FAO Consultative Sub-Committee on the Economic Aspects of Rice
(iv) FAO Group on Coconut and Coconut Products;
(v) FAO Cocoa Study Group;
(vi) FAO Group on Citrus Fruit.

(b) Establishment of new Subsidiary Bodies

8. Since the conclusion of the Tenth Session of the Conference, the Committee has considered requests for the establishment of subsidiary bodies for dealing with problems of two groups of commodities; i.e. hard fibers and jute and related fibers.

9. At its Thirty-Third Session the Committee asked the Director-General to convene an ad hoc meeting to discuss problems on jute. Owing to budgetary reasons the Director-General was unable to convene the proposed meeting during 1961. At the Thirty-Fourth Session the Committee considered proposals to establish study groups on jute and on hard fibers. The Committee decided to convene ad hoc meetings on jute and allied fibers and on hard fibers (abaca, sisal, henequen) in time for each to report to the CCP at its 1962 session.

(c) Criteria and Procedures for the Establishment, Supervision, Suspension and Termination of FAO Study Groups

10. At its Thirty-Third Session the Committee adopted a set of criteria and procedures for the establishment, supervision, suspension and termination of FAO Study Groups /CL 34/3 (CCP 60/25) para. 104 and Appendix B/.

11. The main objective of the Committee in setting out these guiding lines and procedures was to assure a fair hearing in judging specific requests whilst, at the same time, instituting stringent screening procedures for the establishment, supervision, suspension and termination of any such machinery. At its Thirty-Fourth Session the Committee decided to undertake, in 1963, a review of the terms of reference, activities and future plans of its commodity study groups in accordance with the procedures established at its Thirty-Third Session. /CL 35/17 (CCP 61/33) paras. 164-166/.

7. Rules of procedure of the Committee and Terms of Reference and Rules of Procedure of CCP Subsidiary Bodies

12. At its Thirty-Third Session the Committee adopted amendments to its Rules of Procedure and to the terms of reference of its subsidiary bodies made necessary in the light of action taken by the Conference at its Tenth Session (CCP 60/)
The Committee also recommended its subsidiary bodies to amend their rules of procedure in the light of Conference action. At its Thirty-Fourth Session, The Committee noted that all its subsidiary bodies which had meanwhile held sessions had incorporated the amendments indicated by the Committee.

13. Action was still pending with respect to the FAO Group on Coconut and Coconut Products which had not met since the Thirty-Third Session of the Committee.
II. Activities

A. Main Points Requiring the Attention of the Conference

14. The Chairman of the CCP, in presenting the Report of the Committee's Thirty-Fourth Session to the Council (June 1961), concluded his statement with the following summary of those aspects of the Committee's activities in 1960/61 on which the attention of the Conference should be drawn. The Chairman's summary may be found useful and it is therefore reproduced as follows:

"First, in its overall review of the situation and outlook, the Conference will presumably want to take account of the salient features outlined in the CCP Report, and of the background information provided in the Commodity Review,

"Second, there is the complex of questions on Food Aid, the observation made on these matters by the Committee, and questions of resulting in that the CCP may be required to undertake,

"Third, the Conference will wish to take note of the progress reports presented by the CCP on actions which the Conference asked, at its 1st session, to be undertaken concerning the Principles of Surplus Disposal and Guiding Lines, and concerning national plans and arrangements for national food reserves,

"Fourth, there is the result of the re-examination requested by the Conference of the Guiding Principles for Agricultural Price Stabilization and Support Policies,

"Fifth, reference to the close link of national and international stabilization techniques, and work done on this, and planned by the Committee,

"Sixth, any matters arising from the review of individual commodity problems,

"Seventh, arrangements made, in pursuance of decisions taken by the Conference at its last session, for the Joint CCP/CCP session; and

"Eighth, the Conference in the operative part of its Resolution concerning the Joint Session had also expressed its special interest in the strengthening of work on long term projections for major commodities. This, too, is a matter on which they may want some information on the work done in the interval."

B. Point-by-Point Review of Major Activities, 1960/61

1. Review of World Agricultural Commodity Situation

15. At its Thirty-Third Session, the Committee devoted its attention to working out the best ways of organizing its consideration of the world agricultural commodity situation so as to consolidate discussion on substantive issues with a view to the formulation of conclusions and recommendations of a more general character which would take into account the results of discussion on specific commodity problems. The reorganization of the Committee's work was reflected in the report of its Thirty-Fourth Session.
16. At the Sessions held in 1960 and 1961 the Committee reviewed the major developments in the world agricultural commodity situation in the preceding period on the basis of Secretariat documents CCP 60/7 and CCP 61/9; the latter document was presented in a new format as the first issue of the annual FAO Commodity Review. The main aspects of developments were summarized in the reports of the Committee, CL 34/3 (CCP 60/25) – paras. 5-23 and 52-91; and CL 35/17 (CCP 61/33) – paras. 6-29 and 63-147.

17. At both Sessions, the Committee received progress reports by the Secretariat on work on longer-term projections of demand for, and supply of agricultural commodities and raw materials. The Committee also noted the activities carried out in this field by its subsidiary bodies. The Committee was also given information on the proposed study of prospects for world demand, production and trade of the principal agricultural products in 1970 to be published in 1962 as Part Two of the annual FAO Commodity Review and to be presented to the Joint CCP/CICT Session.

2. Food Aid and Surplus Utilization

a) Matters arising from Resolution 1496 (XV) of the UN General Assembly

18. The Thirty-Fourth Session of the Committee gave preliminary consideration to matters arising from UN General Assembly Resolution 1496 (XV) on the Provision of Food Surpluses to Food-Deficient Peoples through the United Nations System and to the report by the Director-General entitled Development Through Food — A Strategy for Surplus Utilization. Action by the Committee is reported in paras. 30-36 of CL 35/17 (CCP 61/33).

b) FAO Principles of Surplus Disposal

19. The Committee received at the Thirty-Fourth Session a progress report by the Director-General on Conference Resolution No. 11/59 on the Operation and Adequacy of FAO Principles of Surplus Disposal and Guiding Lines (para. 37 of CL 35/17 (CCP 61/33)).

c) National Food Reserves

20. At the Thirty-Third and Thirty-Fourth Sessions the Committee received progress reports by the Director-General on the implementation of the request made by the Committee itself and endorsed by Conference (Report of the Tenth Session of the Conference, para. 102) for the preparation of periodic reviews on existing arrangements and plans for the establishment of national reserves.

21. At the Thirty-Fourth Session, the Committee decided to maintain the subject under review and requested the Director-General to pursue his enquiries with governments along the lines indicated in document CCP 61/23: National Food Reserves.

d) Activities of the Consultative Sub-Committee on Surplus Disposal

22. From December 1959 to April 1961 the Sub-Committee held 12 meetings and submitted to the CCP its tenth and eleventh reports on its activities (CCP 60/13 and CCP 61/13).
23. In April 1961 the Sub-Committee comprised 30 Member Countries, 20 Observer Countries and 7 Observer organizations.

24. CCP consideration of the reports by the Sub-Committee is presented in CL 34/3 (CCP 60/25) - paras. 29-36 and CL 35/17 (CCP 61/33) - paras. 40-42.

25. At the Thirty-Fourth Session the Committee noted that the Sub-Committee had received fewer complaints regarding surplus transactions reflecting in the main the effectiveness of the consultative machinery which had been developed to deal with these transactions.

26. The Thirty-Second Session of the CCP asked the Sub-Committee to decide whether the work of the Group on Dried Skim Milk should be continued and, if so, on what terms of reference (CCP 59/42 - para. 35). In its Tenth Report to the CCP (CCP 60/13) the Sub-Committee informed the Committee that it had terminated the Group on Dried Skim Milk.

e) Multilateral Consideration of Surplus Disposal Programs

27. At its Tenth Session the FAO Conference took note of the suggestion that further thought should be given by FAO to the possibility of furthering the utilization of nationally held surpluses through a more effective multilateral consideration of disposal programs facilitated by an exchange of information on the current and future requirements of countries and regions and on existing stocks and disposal programs (Report of the Tenth Session of Conference, para. 103).

28. At its Thirty-Third Session, the Committee requested the Sub-Committee to consider whether there was need for further arrangements to improve the international machinery for clearing information on stocks and disposal programs and on current and future requirements. The Sub-Committee submitted, at the Thirty-Fourth Session of the Committee, a study on this matter (CCP 61/13 Annex 1: The Need for Further Arrangements to Improve International Machinery for Clearing Information on Stocks, Disposal Programs and Requirements, Preliminary Report to the CCP).

29. The Committee concurred with the recommendation by the Sub-Committee and before pursuing the consideration of the need for such further arrangements it was desirable to await the operative decisions taken to implement the UN Resolution on the Provision of Food Surpluses to Food-Deficient Peoples (see para. 18 above).
3. National and International Commodity Stabilization Policies

A. National Agricultural Price Stabilization and Support Policies

a) Guiding Principles

30. At its Tenth Session, Conference with Resolution No. 9/59 on Agricultural Price Stabilization and Support Policies resolved:

a. that guiding principles suggested by the Expert Panel should be referred to the Committee on Commodity Problems for further examination and revision;

b. that the principles as revised by the Committee on Commodity Problems should be submitted to the Council for circulation to all Member Governments and to the Eleventh Session of the Conference for consideration and final decision.

31. At its Thirty-Third Session, the Committee examined the guiding principles proposed by the Expert Panel (CCP 59/12) and appointed a drafting group to examine and revise the text. The Committee agreed to circulate the tentative draft prepared by the Drafting Group (Appendix A of the CCP Report of the Thirty-Third Session (CL 34/3 (CCP 60/25)) and to invite comments from Governments of all FAO Member Nations.


b) Review of Recent Developments in National Agricultural Price Stabilization and Support Policies

33. Conference Resolution 9/59 mentioned above also requested the Committee on Commodity Problems to undertake a series of periodic reviews of recent important developments in the field of price stabilization and support policies on the basis of concise reports to be prepared by the Director-General.

34. At the Thirty-Third Session, the Committee made the first of such periodic reviews on the basis of a report prepared by the Secretariat in tentative form in order to seek the views of the Committee on form and content. At the Thirty-Fourth Session the Committee considered the second annual review (CCP 61/18): Developments in Agricultural Price Stabilization and Support Policies during 1960 and early 1961.

c) Special Studies

35. In Resolution 9/59 Conference endorsed certain proposals for further work and some special studies which had been put forward by the Expert Panel and in discussion in the CCP and Council.
At its Thirty-Third Session the Committee considered that two of these subjects might be dealt with to some extent in carrying out its periodic review of developments of agricultural policies (the use of non-price measures, the suitability of various measures of implementing price stabilization and support policies in the circumstances of different countries.)

The Secretariat was instructed to undertake two other studies. In respect to one of these on "The Effect of Agricultural Price Stabilization and Support Measures on International Trade as a whole", the Committee was informed at the Thirty-Fourth Session that only preliminary work had been carried out by the Secretariat on this subject. It agreed that further work on this subject should be postponed until the results of the study on the effects of protection on trade in Committee II of GATT had been examined by governments.

At the Thirty-Fourth Session, the Committee considered also CCP 61/17 on Factors Influencing the Transfer of Labour from Agriculture and decided that additional work in this field should be carried out by PA within available resources.

B. International Commodity Price Stabilization Techniques and Arrangements

a) General

At the Thirty-Third Session the Committee noted that the Conference had asked the CCP for some work to be undertaken on the broader aspects of commodity policies, though with special emphasis on those fields of work where further endeavours were likely to lead to practical suggestions. The Committee decided that a review of international commodity stabilization measures and techniques should be included as a standing item on its agenda.

At the Thirty-Fourth Session, the Committee had a first exchange of views on these matters after hearing an introductory statement by the Secretariat summarizing some major aspects of recent studies and activities in the field of international commodity stabilization arrangements. The major points arising in this preliminary exchange of views are given in para. 58 of CL 35/17 (CCP 61/33); Report of the Thirty-Fourth Session of the CCP.

b) Compensatory Financing

At the Thirty-Fourth Session the Committee received information on studies undertaken by the United Nations on compensatory financing. In the discussion interest was shown in the possible application of techniques of compensatory financing to problems of instability for individual commodities.

c) Regional Arrangements for Economic Integration

At both Sessions, the Committee received information notes by the Secretariat on developments of regional arrangements for economic integration (CCP 60/7 - Appendices 2 and 3; and 61/24). The Committee believed that developments under these regional economic integration schemes were of great...
potential importance to the world agriculture situation and requested the
Secretariat to keep any new developments under review with special reference
to their possible repercussion on international commodity trade.

4. **Arrangements for the Proposed Joint Session of the CCP with the UN Commission on International Commodity Trade (CICT)**

43. At its Tenth Session, Conference invited the Director General to
inform the Secretary General of the United Nations that FAO was in favour of
the holding of a joint session between the CIOT and the CCP, provided that
practical problems involved in the proposal were solved.

44. The CCP considered these matters at the Thirty-Third and Thirty-
Fourth Sessions on the basis of information on consultations carried out
between the Secretary General and the Director General on this subject and
of the CIOT consideration of this matter. The timetable, draft agenda and
other organizational matters agreed by the Committee for the holding of a
joint session in May 1962 are dealt with in paras. 156 - 163 of the Report of
the Thirty-Fourth Session of CCP (CL 35/17 - CCP 61/33).

5. **Matters Relating to Individual Commodities or Groups of Commodities**

45. At each of its Sessions, the Committee reviewed the situation and
cutback of all the major agricultural commodities as well as of forestry and
fishery products. At the same time, the Committee was informed of inter-
governmental consultations carried out on these commodities and their problems
in other fora.

a) **Grains**

46. During the period under review the CCP received the reports of the
Fifth and Sixth Sessions of the FAO Group on Grains (CCP 60/22 and 61/26).
The Group had decided to give special attention at a future session to the
examination of national grain policies and their international implications,
with special reference to the following questions:

i) To what extent its previous recommendations had been
   carried out by governments;

ii) the reason why certain recommendations had not been
    carried out by some governments;

iii) the possibility of achieving the objectives of its
    original recommendations in this field by alternative
    means.

47. The Committee placed particular emphasis on the work performed by
the Group in the field of national grain policies and also suggested that the
Group might consider the feasibility of international action in the field of
coarse grains.
48. At its Thirty-Third Session the Committee welcomed the start made by the Group in studies of relationships of grains to livestock products.

b) Rice

49. The Consultative Sub-Committee on the Economic Aspects of Rice submitted to the CCP reports of its Fourth and Fifth Session (CCP 60/5 and CCP 61/3). At the Thirty-Third Session the Committee noted that the Sub-Committee had completed the series of economic studies initiated when it was set up in order to provide a factual foundation for future work and for any possible future measures to reduce instability in international trade. The Sub-Committee was also continuing the study of methods to reduce international trade instability in rice and a study was to be undertaken on the conditions under which a future market for rice would be feasible.

50. With Resolution 45/59 on Study of Trends in Rice Production, Consumption and Trade, the Conference at its Tenth Session requested the Director General to prepare a study on such trends for consideration by the Consultative Sub-Committee. At its Thirty-Fourth Session the CCP was informed that the study of trends in world supply and demand for rice with projections of the position in 1965 was the principal item of the Sub-Committee's program.

c) Coconut and Coconut Products

51. The Committee received at its Thirty-Third Session the report of the Third Session of the Group on Coconut and Coconut Products (CCP 60/21). The Committee expressed considerable interest in the economic studies undertaken by the Group describing the marketing problems presented by competing cile. The Group had also drawn attention to the particular need for close coordination of economic and technical work on coconut. The Fourth Session of the Group was scheduled to take place in December 1961.

d) Cocoa

52. At the Thirty-Fourth Session the Committee received the report of the Fourth Session of the FAO Cocoa Study Group (CCP 61/16). At its Fourth Session, the Group had examined some proposals for an international price stabilization scheme for cocoa and had decided to set up a committee to prepare a draft of an international agreement for an export quota scheme. The Committee approved in principle the action recommended by the Cocoa Study Group in this respect and gave consideration to the best course of action to follow in order to provide speedy initiation of the formal action for the convening of an International Cocoa Conference, should conditions warrant it.

53. The Committee was also informed that studies had been undertaken by the Group on the possibilities for increasing consumption.

e) Citrus Fruit

54. In the period under review the Group initiated its activities and submitted two reports to the CCP (CCP 61/20 and CCP 61/27). The Committee took note of the work done by the Group in various fields and in particular of the decision to concentrate on work related to the expansion of consumption.
The Committee noted that the future program of work of the Group emphasized the following activities:

i) Studies of national policies affecting the production, marketing and imports of citrus fruit;

ii) ways of increasing consumption;

iii) improvement of statistics and the dissemination of statistical information;

iv) study of problems relating to standards of quality, quality control and food additives.

f) Dairy Products

55. In addition to the review of the current situation and of some special studies, the Committee discussed the dairy situation having regard particularly to the long-term problems of the world dairy economy (CL 34/3 - CCP 60/25, paras. 64-78 and CL 34/17 - CCP 61/33, paras. 77-86). The Committee considered at both sessions national dairy policies and problems in the butter market. For future sessions the Committee decided to consider the following with respect to dairy products:

i) Situation and outlook;

ii) national dairy policies including review of the butter situation and policies and problems in developing countries;

iii) economic study of skim milk powder;

iv) substitution of other fats for milk fats in dairy products;

v) means of adjustment of dairy supply and demand.

g) Hard Fibers

56. At its Thirty-Fourth Session, the Committee considered the renewed request of the Government of the Philippines for a Study Group on Hard Fibers. The Committee asked the Director General to convene an ad hoc meeting of interested FAO Member Nations to report to the Committee's 1962 Session on the desirability, in the light of the Committee's criteria, of establishing a Study Group on Hard Fibers (abaca, sisal and henequen) and on the terms of reference under which such a study group, if established, should operate.

h) Jute

57. At its Thirty-Third Session, the Committee considered questions on jute referred to it by the Conference (Tenth Conference, Report, para. 109) and received a request of the Government of Pakistan for a Study Group on Jute and Allied Fibers. The request was renewed by the Delegate of Pakistan at the Thirty-Fourth Session of CCP. The Committee felt that the decision concerning the establishment of a study group should depend on the findings of a prior ad hoc meeting. Such an ad hoc meeting should be convened in time to report to the CCP at its 1962 Session.

i) Spices

58. The Committee had before it the study Trends in the World Market for Spices (CCP 61/20) and decided to consider the problem of spices at its next Session.
APPENDIX G

LIST OF MEMBERS AND OBSERVERS TO THE THIRTY-FOURTH SESSION

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Vice-Chairman: Luang Sriprja (Thailand)
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