

COMMITTEE ON COMMODITY PROBLEMS

FOURTH MEETING

10 March 1950
2:30 p.m.Room 314 Dupont Circle Building
1300 Connecticut Avenue, N.W.

PRESENT: (In the Chair) Mr. M. S. Abhyankar (INDIA)

AUSTRALIA	- Mr. J. L. Garfield	PAKISTAN	- Mr. Mahmud Ahmad
BRAZIL	- Mr. W. L. Sarmento	UNITED KINGDOM	- Mr. R. Burns
CANADA	- Mr. W. C. Sopper	UNITED STATES	- Mr. R. B. Schwenger Mr. R. A. Ioanes Mr. F. A. Linville
CUBA	- Dr. Ricardo Sarabasa	URUGUAY	- Mr. J. F. Yriart
EGYPT	- Mr. Anwar Mazi	FOOD AND AGRICULTURE ORGANIZATION	- Sir Herbert Broadley Dr. G. Blau
FRANCE	- Mr. Eugene Demont Mr. A. Forestier	SECRETARY	- Mr. F. B. Northrup
INDONESIA	- Mr. A. L. Muir	RECORDING SECRETARY	- Miss H. J. Evans
NETHERLANDS	- Mr. J. B. Ritzema van Ixema		

Representatives of other member Governments of FAO:

Burma	- U Khin Aung Gale
Belgium	- Mr. A. Coustry
Ecuador	- Mr. O. Garcia
Israel	- Mr. A. Livermant Mr. L. Samuel
Lebanon	- Mr. E. Mattar
Italy	- Dr. P. M. Rogers
Liberia	- Mr. George B. Stevenson
Sweden	- Mr. G. Bendz
Union of South Africa	- Mr. R. Davis

The meeting opened at 2:45 p.m.

I. Adoption of Agenda

The provisional agenda (CCP50/17) was adopted as circulated, the Chairman stating in response to an inquiry from Mr. Ritzema that he would make a brief report on the Subcommittee's deliberations pending submission of the latter's report to the Committee which it hoped to submit at the next meeting.

II. Further Consideration of the Committee's Scope of Operations

The Chairman drew attention to CCP50/14, and particularly to the three specific issues raised in the final paragraph thereof. He pointed out that this document had been prepared as a working paper for the consideration of members of the Committee, but that copies would be made available to other FAO member governments upon request. He thought the issues raised merited some decision on the Committee's part, for the following reasons. Most of those present were familiar with the commodity surplus situation and the various objections which had been raised at the Fifth Conference of FAO to the ICCM scheme. Since that time the Committee on Commodity Problems at its several meetings had wavered between two different views, whether the Committee should (1) limit its deliberations to an examination of the possible effects of any transactions contemplated by surplus-holding governments on the interests of other countries, i.e., to adopt a "policing" function only; or (2) to attempt on its own initiative to suggest lines on which a solution of the surplus problem might be achieved. He personally felt that as a result of its deliberations since the Fifth Session of the Conference in November/December 1949 and the Council Meeting in May 1950, the Committee should be able to indicate to the Council the possible scope of its operations and functions which it might usefully perform, together with certain principles which might be considered by member governments in studying the problem. The first question now to be decided was whether the Committee felt it should consider a general approach to the problem of commodity surpluses. If so, the second question was what alternative methods of approach were open, and in this connection two suggested alternatives were set forth in paragraphs 6 and 7 of CCP50/14, which he then summarized for the Committee's benefit.

Mr. Burns (United Kingdom) wished to correct the negative impression which he felt his remarks at previous meetings might have created. He believed it would not be sufficient for the Committee to limit its deliberations only to a consideration of the surplus announced to it by member governments and felt that the Committee ought to consider wider action. However, he could not go so far as to accept the suggestions for working out a detailed scheme as set forth in sub-paragraphs (b) and (c) of the final paragraph of CCP50/14, although he thought the Committee might usefully review the possibilities of both these types of action. It might be of assistance for the Committee to set out principles and point out possible lines of approach and possible dangers.

Mr. Demont (France) supported the view expressed by Mr. Burns, pointing out that, in his opinion, the Committee would not be fulfilling its terms of reference unless it considered the wider action suggested in sub-paragraph (a). He thought consideration should also be given to paragraphs 6 and 7, although he felt that until the Committee got down to points of detail it would not be able to decide on the best procedure.

Mr. Ritzema (Netherlands) replied to sub-paragraph (a) in the negative, to the effect that the Committee should not restrict itself to the consideration of such surpluses as might be announced by member governments, pointing out that he had already stated his view that the Committee should take positive action toward the problem of disposal of surpluses. On sub-paragraphs (b) and (c) he felt that, although the Committee should endeavor to indicate recommendations on these points it would in the final analysis be the surplus-holding countries which would make the necessary decisions in this respect and that it would not, therefore, be advisable for the Committee to go beyond recommending certain criteria to guide the surplus-holding countries.

The Chairman in the absence of further comment felt that as three representatives were of the opinion that the Committee should not restrict itself to the "policing" function, but that it seemed to be agreed that further initiative rests mainly with the surplus-holding countries, the Committee now had to decide what positive action it could take. In view of the apparent consensus that the initiative must be national rather than international it seemed that the Committee's report to the Council must be somewhat limited. He personally felt that the suggestion contained in CCP50/14 to the effect that the U.S. might take over the sterling balances at present causing

difficulties, would-be importing countries could not legitimately fall within the scope of the Committee's discussions. Likewise he felt that the suggestion in CCP50/14 that surplus countries might sell to needy countries with a view to the latter's building up counterpart-funds for use on economic development was a suggestion where the major decision would have to be taken by the governments concerned, since this would really amount to an economic grant on the part of the surplus-holding government, although it might raise certain issues likely to affect other interests. However, although he agreed with Mr. Burns that the Committee should not go as far as working out a detailed scheme he felt that the Committee should suggest to the Council possible action which might be taken with a view to moving surpluses arising from financial difficulties along the lines of paragraph 6 (a) - (d), which he then explained more fully to the Committee. He pointed out that if some such action were not adopted there was a possibility that surplus goods might be allowed to deteriorate in the surplus-holding countries at a time when they were urgently needed elsewhere. Basically, of course, this was a matter for the surplus-holding government to decide because that government would inevitably bear the major financial cost of any operation involving the disposal of surpluses on a concessional price or long-term credit basis. He reported that the Subcommittee appointed at the Third meeting of the Committee was studying the types of undertakings envisaged by the Preparatory Commission in 1947 as being necessary on the part of both importing and exporting countries in respect to any special sales arranged for nutritional purposes, which the Subcommittee felt would inevitably be on a limited scale only. He gave a brief account of the Committee's deliberations to date, which would be continued at a second meeting on 21 March, at which time the Subcommittee hoped to draft a report for submission to the full Committee. In response to an inquiry from Mr. Bitzema the Chairman explained that the Subcommittee took the view that only a small quantity of surplus goods would move under special sales arranged for nutritional purposes because it was felt that would-be importers would be reluctant to use their few scarce dollar resources for such purchases, although the quantities might be larger if surpluses for this purpose were made available on a "give-away" basis. He called for comments from members as to the lines on which the report to the Council might be drafted insofar as suggestions in CCP50/14 were concerned.

Mr. Burns suggested that the Committee should first consider the proposals in paragraph 6 of CCP50/14, which did not differ very much from those contained in the ICCH scheme. As the whole problem was basically a currency problem, it might be that countries would not be prepared to enter into the suggested arrangements even at the special prices offered, and might require further inducements to undertake deferred payments. In any event, he believed it had been generally agreed by the Council and Conference in 1949 that the idea of deferred payments did not offer much scope for a solution of the problem, and he pointed out that a prudent country looking ahead to the time when such deferred payments became due, would require some assurance that it would be able to make those payments. The Committee might well feel it desirable to suggest that some such assurance be given, but he did not believe it would be possible in fact to secure any guarantee of this kind. In essence, a country's ability to pay depended on its ability to produce and in this instance not only was it difficult to sell to the United States but also there was a limit to the amount of goods which the United States wanted. He personally felt it would be most inadvisable for the Committee to include in its report to the Council any suggestion that a system of deferred payments might be a fruitful line of approach, for he was most anxious to avoid giving a misleading impression.

Mr. Garside (Australia) agreed that it would be difficult to secure any assurance from a producing country, as described by Mr. Burns. However, there was always a possibility that a particular importer might be able to work out a special credit arrangement with an individual exporter, but this would be purely a national arrangement and would not be the concern of the Committee, and he thought, therefore, that such an idea would have to be ruled out in the Committee's report.

Mr. Demont (France) pointed out that previous speakers had drawn comparisons between the proposals discussed by the 1949 Conference and those contained in CCP50/14, but in his view there was a definite distinction between these two sets of proposals, namely, that the IOCH was an international body with a commercial character whereas the present Committee was purely advisory and could not do more than suggest principles to importers and exporters in regard to price, distribution, etc. He thought the present problem could not be studied in any overall fashion but required consideration from the point of view of particular commodities and particular countries. There were, he believed, some countries which might be willing to pay cash for certain commodities at reduced prices; others might be prepared to buy certain commodities by means of loans or deferred payments; and others might not be willing either to pay cash or to accept loans. He therefore believed it would be impossible to arrive at a uniform solution. He was prepared to accept these suggestions set out in paragraph 6, with the exception of point (d) where he felt it inadvisable for the Committee to recommend any such assurance on the part of supplying countries.

Mr. Burns (U.K.) accepted Mr. Demont's distinction between the IOCH proposals and those presently under discussion. He also agreed that arrangements might be possible between individual countries, but he did not think any arrangements of an international character were possible.

Mr. Yriart (Uruguay) felt that the report to the Council would need to include a statement as to whether the surplus situation was improving or deteriorating, what sort of foodstuffs, i.e., primary or secondary, would be involved, etc. If it were concluded that surpluses were likely to be of such quality or magnitude that their distribution to needy populations would have a distinct effect on production in the exporting countries, new aspects might arise, e.g., the producing countries themselves might be better fed and might continue to produce more; or if surpluses of primary foodstuffs occurred importing countries might feel it worthwhile to spend some of their scarce dollar resources on the purchase of such foodstuffs and thus improve their nutrition; it might even prove that hard currency surplus countries might be willing to donate their surpluses if it were possible thereby to contribute towards a more rapid solution to the problem of financial disequilibrium. In response to Mr. Garside, he thought it might well prove that if the Council did not find it possible to arrive at constructive suggestions there might be a tendency for exporting countries to take measures for limiting or even destroying their surplus production. The Committee might give some thought to the possibility that the use of surplus foodstuffs in needy countries might lead to the more rapid economic development of those countries.

Mr. Garside (Australia) agreed that if the Council were able to put up a convincing case that surpluses might be used to further economic development in importing countries, producing countries might be less prone to adopt restrictive measures.

Dr. Hopper (Canada) thought it would be extremely difficult for the Council to put up a convincing argument in this connection. He believed, however, that the Committee's function was to explore all possibilities for the use of surpluses rather than merely to state that the problem was purely a financial one and leave it to exporting countries to find an acceptable method for its solution.

Mr. Yriart (Uruguay) drew attention to an aspect of the problem which he felt had not been discussed fully, i.e., the likely nature of surpluses which might emerge in the coming months.

Mr. Ritzema (Netherlands) believed that surpluses as defined in the Committee's terms of reference were likely to emerge in the near future not only in hard currency countries but also in soft currency countries.

Dr. Hopper (Canada) felt that if any plan were developed whereby exporting countries were to be persuaded to maintain a high level of production it might be necessary to confine exports under this plan to the less well-developed countries.

Mr. Hittema (Netherlands) continued that it was difficult to distinguish between hard and soft currency countries; to his mind there were not only balance of payments difficulties which hindered the maintenance of high production but also the inability of under-developed countries to pay for imports even in their own currency. Surpluses might occur which could not be purchased in the currency of a country urgently needing the commodities in surplus supply.

Mr. Garside (Australia) was of the opinion that sales at concessional prices would undoubtedly have to be confined to under-developed countries for it was in those countries that nutritional deficiencies most frequently occurred. The absorption of surpluses by means of normal commercial sales should not be limited to any particular group of countries.

Mr. Hopper (Canada) remarked that if exporting countries were to be persuaded that surpluses should be sold at very low prices, or even given away, the exporting countries would need some assurance that such an operation would be to their own advantage as well as to the advantage of general human welfare.

Mr. Garside (Australia) agreed that it would be extremely difficult to persuade an exporting country to maintain surplus production specifically for the purpose of sales at concessional prices or even on a give-away basis, although the situation might be different with respect to surpluses incidentally accumulated as a result of domestic policy, e.g., the United States price support policy, which was primarily intended to serve the interests of the American farming community.

Dr. Hopper (Canada) pointed out that some countries were likely to produce surpluses quite apart from any price support policy, and in these instances he thought it might be possible to convince those countries of the advantages of a scheme such as that proposed in order to give them an outlet for their products, which would, in addition, be beneficial to the rest of the world.

Mr. Garside (Australia) agreed that this was a possibility, although he could not think what commodities might be involved nor could Mr. Yriart think what countries might be concerned.

Mr. Niazi (Egypt) was of the opinion that the suggestion of selling surplus goods against counterpart-funds for use in technical development might not go far enough.

The Chairman agreed with Mr. Niazi, but pointed out that it was important for the Committee to explore every possibility for action even though it might prove ultimately that the Committee could do no more than indicate the principles that might be followed by countries entering into special arrangements, and in any event the final decision lay primarily with the governments concerned.

Mr. Yriart (Uruguay) maintained that it might be useful to ascertain where important surpluses might occur and their likely character, which give an indication whether the use of such surpluses would have a direct effect on the economic development of importing countries. If it were agreed that importers would not be likely to buy surpluses at market prices there still remained the possibility that they would make purchases at concessional prices.

Mr. Muir (Indonesia) doubted whether the latter was really a possibility, pointing out for instance that even though there were current nutritional deficiencies in his country, Indonesia's scarce dollar resources were rarely used except for the purchase of capital goods which could be utilized immediately for the promotion of self-sufficiency.

Mr. Yriart (Uruguay), in accepting Mr. Muir's reply, remarked that the only remaining possibility seemed to be for the exporting countries to give away their surpluses in an endeavour to promote economic development in the receiving countries.

Mr. Muir (Indonesia) inquired the U.S. view of such a suggestion.

Mr. Garside (Australia) believed that such an operation was precluded by U.S. legislation.

Mr. Schwenger (U.S.) replied that although the appropriate U.S. legislation was not too precise on this point he thought it preferable to attempt to resolve the issue from another standpoint. In response to Mr. Muir's specific question he stated that the matter was at present under consideration by the U.S. Government in various quarters. He felt, however, that although the present suggestions had a certain validity in specific instances the general principles so far emerging were not basically sound, pointing out that difficult problems of ownership were involved and that the conditions and circumstances which might persuade a surplus-holding country to make its surpluses available extra-commercially had necessarily to be associated with the surplus-holding country's own interests. He felt it important for the Committee to avoid making any decision which might affect the interests of any particular country.

Mr. Burns (U.K.) agreed that it would be most invidious for the Committee to suggest any action to be undertaken by the United States. He felt, however, that the Committee might usefully consider the implications and suggest principles for action, so long as this were done in a general fashion and not applied to any specific reference, it being most essential that the Committee should avoid attempting to make decisions which could only be taken by individual governments. He pointed out that if it were agreed that surpluses should be given away for special nutritional programs it would be necessary to ensure that such supplies were in fact used for that specific purpose and that the market was in no way disrupted thereby.

Mr. Schwenger (U.S.) agreed that if the time and place were propitious the use of surpluses for nutrition programs might be a useful contribution.

Mr. Yriart (Uruguay) agreed in part with the remarks made by Mr. Schwenger and Mr. Burns. He remarked that although Uruguay was a comparatively small country his Government had consistently endeavored to further international cooperation, although it might well be that in Conference his Government would agree that the present suggestions were of interest to a few countries only rather than being of international interest. He believed that among the Specialized Agencies of the United Nations, FAO was probably the one with the least effective power, other agencies apparently being in a better position to see that their recommendations were implemented by their members. It could not be disputed, however, that by fulfilling its terms of reference the Committee would be acting in the general international interest, and must, therefore, do its best to fulfil those terms of reference. He remarked that apparently the most rapid solution to the surplus problem would be for governments having the requisite power to adopt restrictive production methods, which would be contrary to the general objectives of FAO, and which the Committee should do its best to avoid.

Mr. Garside (Australia) felt that if the Committee could not produce some convincing suggestions for a solution of the problem there was not much alternative to restriction of production.

Mr. Yriart (Uruguay) agreed that it was important to avoid giving a misleading impression but stated that he would like to see a report containing a statement of what surpluses were likely to occur, indicating, however, that the Committee had been unable to recommend any solution beyond a suggestion that exporting countries might in the long run be helping themselves if they were willing to make those surpluses available for nutritional distribution.

The Chairman emphasized that the Committee had to accept the judgment of the producing country as to whether a certain commodity was in surplus supply or not. So far the following points seemed to be generally agreed.

- (1) That in the context of the current balance of payment position any solution involving eventual re-payment by recipient countries was not likely to afford much relief;
- (2) in view of the unsatisfied needs existing in the world, the maximum possible development of nutritional program was desirable;
- (3) surpluses might beneficially be used for promoting economic development in under-developed areas.

Mr. Niazzi (Egypt) wondered whether it might help if, in view of the apparent reluctance of producing countries to declare a commodity in surplus supply, the Committee avoided the use of this term, substituting maybe the term "excess production".

Mr. Yriart (Uruguay) agreed that the Committee could not state when or whether a surplus position existed, but if its report contained suggestions as to whether and when there was excess production, and possible methods of utilizing that production for economic development and nutritional programs, producing countries might thereby be encouraged to declare a specific commodity in surplus production.

Mr. Demont (France) was of the opinion that the point discussed was in no sense contradictory with the conclusions in CCP50/14; he suggested that the document might include recommendations that exporting countries should study the FAO food balance sheets in an attempt to discover where their excess production might be utilized. He professed himself in agreement with the principles set forth in CCP50/14 and suggested that the Subcommittee should draft a report taking account of the views presently expressed.

On the arrival of Sir Herbert Broadley, the Chairman summarized the Committee's previous discussion for his benefit. In response to a query from Mr. Niazzi regarding Mr. Yriart's remarks that food production should be curtailed, the Chairman recognized the validity of this point. He felt, however, that if it were agreed that the relief obtained through the initiation of nutritional programs for the promotion of general economic development was not likely to be very great in view of the cost involved, it was not for the Committee to recommend the maintenance of high production, since this was a matter for decision by the producing countries concerned, and the most that the FAO Council could do would be to exhort these countries not to adopt restrictive measures.

Mr. Yriart (Uruguay) agreed with the Chairman's last remarks, stating that he had made the point because he felt that the Committee's report would have a direct relation both on the policy of FAO and on the various national policies of its member governments. He pointed out, however, that if surpluses were disposed of at concessional prices or even on a "give-away" basis benefits might accrue not only to recipient countries but also to exporters.

In the absence of any response to the Chairman's request for further comment, the Committee proceeded to discuss

III. Report to the Council.

The Secretary drew attention to the draft report which had been prepared, the first three sections of which dealt principally with the factual aspects of the Committee's formation and activities to date. He felt, however, that Section 4 would require re-drafting in the light of the Committee's present discussion.

The Chairman thought it essential that Section 4 should adequately reflect the Committee's deliberations and inquired whether members would agree that the final section should be re-written, taking into account both the discussion at the present meeting and the report which it hoped shortly to receive.

Mr. Yriart (Uruguay) hoped that the need for speed in the preparation of the report to the Council would not hamper the Committee's deliberations. He suggested it might be possible merely to report that the Committee had not yet come to a final decision but was going along certain lines.

The Chairman admitted the validity of this suggestion and thought it essential that the report should leave the way open for further discussion.

IV. Date of Next Meeting.

It was agreed that the Committee should meet again on Thursday, 23 March, at which time it should consider again the report to the Council in the light of the present discussion and of the report from the Subcommittee.

The Committee adjourned at 4:45 p.m.