

**REPORTING PROCEDURES
AND CONSULTATIVE OBLIGATIONS UNDER
THE
FAO PRINCIPLES OF SURPLUS DISPOSAL**

*A Guide for Members of the FAO Consultative Subcommittee
on Surplus Disposal*

**FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED
NATIONS**

Rome 2001

The designations employed and the presentation of material in this information product do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal or development status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

All rights reserved. Reproduction and dissemination of material in this information product for educational or other non-commercial purposes are authorized without any prior written permission from the copyright holders provided the source is fully acknowledged. Reproduction of material in this information product for resale or other commercial purposes is prohibited without written permission of the copyright holders. Applications for such permission should be addressed to the Chief, Publishing Management Service, Information Division, FAO, Viale delle Terme di Caracalla, 00100 Rome, Italy or by e-mail to copyright@fao.org

© FAO 2001

FOREWORD

This is the sixth version of what has been referred to as the CSSD Handbook since the Consultative Subcommittee on Surplus Disposal (CSSD) was established in 1954. The fifth edition published in 1992 updated a comprehensive revision carried out by a CSSD Advisory Group in 1978. The 1992 edition added the decisions made in the Subcommittee during the period from early 1979 to March 1992. Since then further changes have taken place in the reporting procedures of the CSSD. The most important of these changes resulted from suggestions made by the 60th session of the FAO Committee on Commodity Problems which, in turn, were a response to the conclusion of the Uruguay Round of Multilateral Trade Negotiations which led to the establishment of the World Trade Organization. A Working Group of the CSSD took up the challenge, and as a result, a revised system of reporting food aid shipments was endorsed by the FAO Council at its 113th Session in November 1997.

The purpose of this revised Handbook is twofold. It is designed to (1) provide a guide on how the CSSD functions and (2) describe how the new revised reporting procedures were established and how they affect the notification and consultative obligations of aid-supplying countries. To remain as uncomplicated as possible, Part 2 of the 1992 Handbook dealing with the Subcommittee's history has been excluded from this edition, while Part 1 of the 1992 edition, dealing with operational procedures of the CSSD, has been completely revised.

It is anticipated that some members may still have an interest in the historical background of the CSSD and may wish to examine the process whereby the various committees and governing bodies of FAO developed the procedures of the Subcommittee. To meet these needs, footnotes in the text refer readers to the relevant sections in the 1992 Handbook for details. The 1992 Handbook should therefore be retained as a background document on the early history of the Subcommittee and as a ready reference for earlier decisions adopted by FAO statutory bodies.

*Food and Agriculture Organization of the United Nations
Rome (November, 2000)*

GLOSSARY OF TERMS

Additional consumption

Consumption which would not have taken place in the absence of a food aid transaction provided on special or concessional terms. (See usual marketing requirements)

Concessional terms

Terms relating to price or to other conditions of sale or payment more favourable than those obtainable in the open market.

Consultative obligations

Procedures for notification, consultation and reporting under the FAO Principles of Surplus Disposal and Guiding Lines. (See paragraph 7)

***Ex post facto* notification**

Notification of a food aid transaction, including one or more commodities, by an aid-supplying country to the CSSD Secretariat as soon as practicable after the shipment of the commodity in question has taken place, or in the case of a private charitable institution, once in a 12-month period. These transactions usually involve emergency situations, small size shipments, assistance through international organizations, and monetary grants where the commodity is purchased locally or by a low income food deficit country. (See paragraph 28 & Appendix D) Transactions by private charitable institutions may be reported on an annual basis. (See Appendix E)

FAO Principles of Surplus Disposal

A code of international conduct adopted by the FAO Council in 1954 which encourages the constructive use of surplus agricultural commodities and at the same time safeguards the interest of commercial exporters and local producers.

“Grey Area” transaction

A transaction in international trade where there is no agreement as to whether it is entirely commercial or entirely concessional.

Prior consultation and notification

Notification of a food aid transaction, which includes one commodity and its corresponding UMR, by an aid-supplying country to all interested exporting countries, in which 14 days are provided for observations or objections (the bilateral consultation period). After the consultation period, the transaction is reported to the CSSD Secretariat three working days before agreement is signed, for distribution to all CSSD members. (See paragraphs 15 & 24)

Register of Transactions

Sixteen categories or types of agricultural commodity transactions which are subject to CSSD notification and consultation procedures. (See paragraph 23)

Relatively small size transactions

Transactions which include aggregate quantities over a twelve month period not large enough to result in any harmful interference with normal patterns of production and/or international trade. Quantity levels have been established by the CSSD for wheat and

other grains, rice, dry skim milk and butteroil. (See paragraph 28 (c))

Surplus disposal

Defined by the CSSD in 1958 as an export operation (other than a sale covered by an international commodity agreement) arising from the existence or expectation of abnormal stocks and made possible by the granting of special or concessional terms through government intervention. The CCP noted that in the practical interpretation of this definition "... an export operation should not be considered a surplus disposal merely because there was an element of subsidy to bridge the gap between the domestic and export price, but because harmful interference with normal patterns of trade might be caused as a consequence of the terms granted and/or the quantities and rates of movement of the commodities concerned".

Usual Marketing Requirement

A specified agreement by the recipient country to maintain a normal level of commercial imports in addition to any imports of the same commodity specified in the concessional transaction. The establishment of a UMR is considered a useful technique in ensuring additional consumption. (See paragraph 15)

TABLE OF CONTENTS

	Page
Foreword	i
Glossary of Terms	ii
	Paragraph
Introduction	1 - 2
The Functions and Purpose of the CSSD.	3 - 6
FAO Principles of Surplus Disposal	7 - 9
Operational Procedures of the CSSD	10 - 12
Evolution of the Consultative Obligations and Notification Procedures	13 - 14
Prior Consultation and Usual Marketing Requirements	15 - 17
Refining the Reporting Procedures	18 - 22
Revised Procedures for Notification and Consultation	23
The CSSD as a Forum for Multilateral Consultations	24 - 25
World Food Programme Development Projects	26 - 27
Exemptions to the CSSD Consultative Obligations	28

APPENDICES

	Page
A. Members, Observers and International Organizations	17
B. Officers of the CSSD (1985-1999)	19
C. Pro Forma for Prior Notification	21
D. Pro Forma for Ex Post Facto Notification	23
E. Pro Forma for Annual Notification of Shipments Effected through Private Charitable Institutions	25
F. Text of FAO Council Resolution No. 1/113 (November 1997)	27
G. Text of FAO Council Resolution No. 2/20, Principles of Surplus Disposal (October 1954)	33
H. Annex to FAO Council Resolution No 2/55, Procedures for the Establishment of Unusual Marketing Requirements (UMRs)	43
I. Rules of Procedure of the CSSD	49

**THE REPORTING PROCEDURES
AND CONSULTATIVE OBLIGATIONS UNDER THE
FAO PRINCIPLES OF SURPLUS DISPOSAL**

Introduction

1. As noted in the *Foreword* to this edition, the primary purpose of this Handbook is to provide a summary of the operational procedures of the Consultative Subcommittee on Surplus Disposal (CSSD), with particular emphasis on the changes that have taken place in the reporting procedures since the last revision of the Subcommittee's Handbook was undertaken, (referred to hereafter as the 1992 Handbook).¹ As a result, the present edition of this Handbook provides an extensive revision of Part 1 but excludes Part 2 of the 1992 Handbook. Since Part 2 provides detailed information on the historical background of the CSSD, and the texts of the various resolutions and recommendations of FAO statutory bodies, the reader should retain the 1992 Handbook for ease of reference.

2. While this edition provides some background information on the functions of the CSSD and early development of the reporting procedures, it focuses primarily on the consultative obligations and reporting procedures currently in effect with emphasis on the revisions endorsed by the 113th FAO Council on 4-6 November 1997. For the guidance of readers, references are made to specific paragraphs in the 1992 Handbook where details of the various texts can be found.

¹ See Principles of Surplus Disposal and Consultative Obligations of Member Nations, Third Edition, (Rome, 1992)

The Function and Purpose of the CSSD

3. In 1954, the Food and Agricultural Organization of the United Nations (FAO) established the Consultative Subcommittee on Surplus Disposal (CSSD) ¹ to deal with the impact of food assistance programmes on commercial trade and on agricultural production. The CSSD reports to FAO's Committee on Commodity Problems (the CCP).
4. The CSSD has continuous operational responsibilities. It is a consultative forum for monitoring food assistance and for examining related policies and programmes. Its operations are governed by the FAO Principles of Surplus Disposal, a collective response by FAO member states to the threat of commercial market disruption caused by the accumulation in the 1950's of large stocks of surplus agricultural commodities. A major achievement of the CSSD since 1954 has been to build on the *Principles* to formulate an effective international code for monitoring food and agricultural commodity assistance programmes.
5. Membership in the CSSD is open to all FAO members and, as of 2001, comprised 41 members, 16 observers and seven international organizations (Appendix A). All countries with significant agricultural trade interests are active participants. Members and observers are represented by officials attached to the various embassies located in Washington D.C., where the meetings, held several times a year, take place. About ten aid-supplying countries regularly consult and report to the CSSD. The CSSD reports to its parent body, the CCP, at its biennial meeting held in Rome.

¹ At the 410th meeting (October 1995) members agreed to change the acronym of the Subcommittee from "CSD" to "CSSD" to avoid conflict with a sister organization in the UN family.

6. All delegates to the CSSD receive a complete set of documents before each meeting. This enables them to keep abreast of the current state of food assistance programmes and food aid shipments. Delegates should be particularly aware of those transactions in which their country has an interest and be prepared to participate in the discussions as well as to report on issues and developments to home governments.

FAO Principles of Surplus Disposal

7. The FAO Principles of Surplus Disposal and Guiding Lines¹ endorsed by FAO Council in 1954, seek to assure that food and other agricultural commodities which are exported on concessional terms result in additional consumption for the recipient country and do not displace normal commercial imports; and similarly, that domestic production is not discouraged or otherwise adversely affected. While the Principles are not a binding instrument, they represent a commitment by signatory countries. They help governments to focus on their responsibilities as parties to concessional transactions and to avoid potential difficulties and disagreements. The interests of recipient countries are safeguarded by the Principles which emphasizes the importance of increasing consumption rather than restricting supplies. The interests of exporting countries are protected by the undertaking that such disposals should be made without harmful interference with normal patterns of production and international trade; by assurances against resale or transshipment of commodities supplied on concessional terms; and by the introduction of the concept of “additional consumption”.
8. Additional consumption is consumption which would not have taken place in the absence of the transaction on concessional terms. The mechanism for assuring such additionality is the usual marketing requirement (UMR), a concept that was used by the United States in its food assistance programmes, and was adopted

¹ See Appendix G which contains the full text of Council Resolution No. 2/20.

by the FAO in 1970. It requires a commitment by the recipient country to maintain a normal level of commercial imports of the commodity concerned, in addition to the commodity supplied in the concessional transaction. With certain exceptions, and depending upon the type of food assistance provided, this provision has become an essential element of food assistance agreements ¹.

9. The CSSD monitors adherence to the Principles by reviewing commodity assistance transactions, normally prior to signature of the assistance agreement and shipment of the commodity. While in practice the CSSD tends to focus on the interests of exporting countries, attention is also given to the interests of recipient countries. The Principles embrace the view that surplus commodities can be utilized for the promotion of economic development, for special welfare distribution and for emergency relief. In general, the CSSD provides a forum for examining any difficulty that may arise in light of the Principles. Forty-one FAO members have subscribed to these Principles. These countries are listed in Appendix B of the 1992 Handbook.

Operational Procedures of the CSSD

10. The CSSD meets four or five times a year or as often as is considered necessary. ² Its officers include a chairperson and vice-chairperson who are elected annually at the first meeting in the calendar year. It has been customary to alternate the Chair between a developed and a developing country representative. It is also customary for the vice-chairperson to succeed the chairperson. The officers who served from 1986 to 1999 are listed in Appendix B. ³ The CSSD secretariat is supplied by the FAO

¹ See Appendix H for the text of the Annex to Council Resolution 2/55, passed November 1970 on the establishment of UMRs.

² The Rules of Procedure of the Subcommittee are set out in Appendix I.

³ See Appendix E-1 of the 1992 Handbook for a list of CSSD officers who served from 1954 to 1985.

Liaison Office for North America (LOWA).¹ All documents for CSSD meetings are prepared and circulated by the secretary prior to each meeting. These include food aid notifications, which follow the pro forma set out in Appendixes C, D and E, and other documents described below in paragraph 12.

11. The review of food aid notifications by the CSSD is the final step in the notification and consultation procedure. It enables every member, whether aid-supplier, recipient or third party exporter, to participate in the review process. Points of a general nature are discussed and resolved by consensus or by referral to a working group for further study. Periodically, recommendations on changes to the operational procedures and other matters concerning the Subcommittee are made to the CCP. Verbal reports on meetings in other fora and on developments of general interest in agriculture are received (e.g., new legislation, FAO programmes, research studies, etc.). The CSSD reports to the CCP on its activities each biennium. These reports are usually prepared by a small drafting group normally chaired by the vice-chairperson and after clearance by the Subcommittee are transmitted to the CCP. The CSSD report is normally presented to the CCP by the chairperson accompanied by the secretary.
12. The secretariat issues CSSD documentation in a full distribution and limited distribution series. The former include documents of permanent value and of interest to a wider audience than the Washington-based representatives on the Subcommittee. The latter cover matters of specific and immediate interest to CSSD representatives and are not normally circulated beyond Washington, D.C. Full distribution documents include the Summary Proceedings of the meetings, notifications of food assistance transactions, provisional agendas, commodity trade

¹ See Appendix E-2 in the 1992 Handbook for a list of secretaries that have served the CSSD over the years.

statistics,¹ special statements and reports by delegates, etc. In May 1996, the CSSD adopted the following classification code CCP:SD SR/425 for the Summary Proceedings and CCP:SD/99/001 to 999, showing the year and the number of the document in consecutive order, for other full distribution documents. Limited distribution documents include administrative notices, special reports for members, information notes, and other documents issued for the use of members as secretary's notes. These documents bear the classification code Ltd.Distr.SD:99/01 to 99.

Evolution of the Consultative Obligations and Notification Procedures

13. In 1969 the CSSD was confronted with the problem of how to deal with an increasing number of commodity transactions that were difficult to classify as either concessional or commercial. As noted above, the Principles had set out general guidelines for the disposal of surplus commodities by aid-supplying countries but there was a good deal of ambiguity concerning the types of transactions that should be reviewed by the CSSD. In 1963, an ad hoc panel of the Subcommittee had examined this question and while it attempted to list transactions that were "...more or less concessional", its deliberations were inconclusive.²
14. A Working Group was subsequently formed by the CCP to study the matter. In its report, the Working Group identified a list of 20 transactions covering all of the various kinds of trading arrangements prevalent at the time.³ The Working Group identified 13 of these transactions, referred to as the Catalogue of Transactions, as being of a concessional nature and recommended that they be subject to notification procedures, including prior

¹ Import data for rice and maize have been prepared annually by the FAO in Rome for the use of CSSD members.

² Interim Report on Work of "Grey Area" Panel, CCP/CSD/65/19 (20 April 1965).

³ See Appendix F of the 1992 Handbook.

consultation and the establishment of UMRs. The Working Group's recommendations were adopted by the CCP and endorsed by FAO Council in Resolutions No.1/53 and 2/55.¹

Prior Consultation and Usual Marketing Requirements

15. The UMR concept has become a key element in the negotiation of food assistance contracts with recipient countries. Aid-supplying countries have an obligation under the consultation and reporting procedures to include UMRs in their notifications of any transaction listed in the Catalogue of Transactions (replaced by the Register of Transactions).² A number of transactions were exempted from this obligation due to such factors as the nature and volume of the assistance. These exemptions are explained in more detail below. It is up to the notifying country, the donor, to determine the countries to be consulted and the location where consultation is to take place (usually its capital city). The consultation period is to be no less than 14 calendar days from the time of formal notification for observations or objections.³ Recipient countries have no obligations under these procedures, although they normally have an interest in the UMR level established by the donor since they commit themselves to maintaining commercial shipments at this level during the 12 month period it is in effect. This is known as the UMR compliance period.
16. The level of the UMR, which is established by the supplying country, should reflect the traditional imports of the recipient country. It is not to be set at a level that would represent an undue burden and should take into account the economic, financial and developmental situation in the recipient country. Indeed, if these

¹ Report of the CCP Working Group on CSD Functions, CCP:69/13/1, adopted by the 44th and 45th Sessions of the CCP in 1969 and 1970. See paragraph 64, Part 2 of the 1992 Handbook for details of Council Resolutions No.1/53 (1969). Council Resolution No.2/55 (1970) is set out below in Appendix H.

² Paragraphs 22 and 23 explain this change.

³ See paragraph 71, section (b), Part 2, 1992 Handbook.

variables changed for the worse at some later time, the UMR can be renegotiated or eliminated altogether in which case the notification by the donor would report a “nil” UMR. In practice the accepted UMR level is based on the most recent five year average of commercial imports of the commodity supplied. The UMR is established for a 12 month period, usually a crop year or a calendar year or in the case of the United States its fiscal year (October to September).

17. The International Grain Council’s (IGC) trade statistics for wheat and wheat flour and the FAO’s import data for rice, maize and other commodities are used for determining UMRs. The accuracy of trade data for some commodities, such as dairy products, has been a problem, but cooperative efforts in sharing trade statistics among members of the CSSD have been of great assistance in overcoming this deficiency. The UMR level and its compliance period should be included in the supplying country’s notification to the CSSD. The pro forma set out in Appendix C has been developed by the CSSD for this purpose. It should also be noted that where more than one supplying country submits notifications with conflicting UMR levels, the highest level will constitute the UMR obligation for a common 12-month period.¹

Refining the Reporting Procedures

18. During its sessions from 1970 to 1995, the CSSD discussed many issues which concerned the appropriate reporting procedures for transactions set out in Council Resolutions 1/53 and 2/55. For example, it examined the question of tied sales agreements in food aid transactions whereby part of the commercial imports of the commodity covered in the agreement were reserved for the donor country. Many CSSD members viewed these provisions to be in conflict with the Principles. In fact, a Working Group of the CSSD, in its report to the CCP, considered them to be: “...contrary to the FAO Principles because of their potential use as an

¹ See paragraph 79, Part 2, 1992 Handbook.

instrument of market pre-emption and because they provide no protection whatsoever for commercial exports of third countries.”¹ Although these transactions were quite numerous, after 1972 they declined significantly, and by 1992 they were no longer reported. Other subjects examined by the CSSD during this period included uniform UMR compliance periods; the definition of relatively small size transactions; additionality and UMR compliance;² methods used in establishing UMR levels for commodity groups; the status of non-food commodities in reporting; and modifications to the Catalogue of Transactions.

19. In 1992 the 59th Session of the CCP adopted modifications to the Catalogue of Transactions recommended by the CSSD. The amendments added food purchased from local suppliers to category 4 and 5 transactions involving monetary grants to recipient countries and private or multilateral institutions. An additional amendment to category 5 transactions added private institutions to intergovernmental organizations as recipients of monetary grants. These transactions did not require prior consultation but were to be reported to the CSSD on an ex post facto basis.³
20. Following the establishment of the World Trade Organization (WTO), which had incorporated the Principles in the Agreement on Agriculture, the CCP at its 60th Session in 1995, recommended that the CSSD review the Principles, focusing particularly on the Catalogue, including those transactions that fell in the “grey” area, i.e., transactions that could be interpreted as being either concessional or commercial. Concerns had been

¹ Report on “Tied Sales”, (July, 1969), CCP/CSD/69/51 and, Second Report on Tied Sales, (Sept., 1973), CCP/CSD/73/120.

² An Informal Study Group was established by the CSSD in February 1985 to look at this question and it recommended that UMR compliance reports be prepared annually for wheat, rice, dry skim milk and butteroil.

³ See amendments as approved by the 378th meeting of the CSSD, March 1992, in Appendix VII of the 34th Report to the CCP, (CCP: 93/17).

expressed by FAO members that food aid might be used to circumvent the WTO disciplines on export subsidies. The CCP noted that such a review needed to be undertaken: "...in association with developments in the WTO Committee on Agriculture". These recommendations were endorsed by the FAO Council at its 108th Session in June 1995.

21. A Working Group of the CSSD was subsequently established in 1996, and its recommendations were forwarded to the 61st Session of the CCP held 17-21 February 1997 in Rome¹. Several members of the CCP expressed concerns in regard to some of the changes to the reporting procedures proposed by the CSSD, and recommended that a further review be carried out to address these concerns. The CSSD undertook a further study of the recommendations and the issues raised at the CCP. Its revised proposals were submitted in October 1997 and endorsed by the 113th Session of the FAO Council (4-6 November 1997) as Council Resolution 1/113 (Appendix F).
22. While the revisions in the reporting procedures set out in Council Resolution 1/113 replaced the Catalogue of Transactions with a new Register of Transactions, the numbering sequence for the various categories or types of transactions remain unchanged. Three new categories, selected from the List of Transactions, (i.e., 14, 15 and 16) have been added. Members of the CSSD are now obligated to adhere to these revised procedures for notification and consultation under the Principles of Surplus Disposal set out in the Annex to this Council Resolution. These revisions have not changed the procedures for establishing UMRs.

Revised Procedures for Notification and Consultation

23. The full text of Council Resolution 1/113 which sets out the revised procedures for notification and consultation is set out in Appendix F. The reporting obligations for bilateral consultations

¹ See 36th Report to the CCP, document CCP:SD 96/12, 18 November, 1996.

and ex post facto notification apply to the commodity transactions listed in this new Register, which is now contained in the Annex to Resolution 1/113 as follows:

Register of Transactions¹

1. Donations of domestically-produced commodities from a government to a government of an importing country, an intergovernmental organization² or a private institution for free distribution directly to the final consumers in the importing country.
2. Donations of domestically-produced commodities from a government to a government of an importing country, or an intergovernmental organization or a private institution for distribution, by means of sale on the open market of the importing country.
3. Monetary grants by the government of an exporting country, for the specific purpose of purchasing a commodity from an exporting country.
4. Monetary grants by a government either to a supplying country (or countries) or to a recipient country for the specific purpose of purchasing a commodity from an exporting country (or countries) or from local suppliers in the recipient country for delivery to/in the specific recipient country.
5. Monetary grants by a government to an intergovernmental organization or to a private institution for the specific purpose

¹ Donors should note that the categories 3, 11, 12 and 13 are considered tied sales transactions and are subject to Article 10(4)(a) of the WTO Agreement on Agriculture which states: "Member donors of international food aid shall ensure (a) that the provision of international food aid is not tied directly or indirectly to commercial exports of agricultural products to recipient countries."

² Excluding the World Food Programme which is covered under category 6.

of purchasing commodities in the open market (including local purchase) for delivery to/in eligible recipient countries (developing countries).

6. Transfers of commodities under the rules and established procedures of the World Food Programme.
7. Sales for the currency of the importing country which is not transferable and is not convertible into currency or goods and services for use by the contributing country.
8. Sales for the currency of the importing country which is partially convertible into currency or goods and services for use by the contributing country.
9. Government-sponsored loans of agricultural commodities repayable in kind.
10. Sales¹ on credit in which, as a result of government intervention, or of a centralized marketing scheme, the interest rates, period of payment (including periods of grace) or other related terms do not conform to the commercial rates, periods or terms prevailing in the world market. In particular with respect to period of payment, credit transactions are distinguished as follows: (a) 10 years or more; (b) over 3 years and under 10 years.
11. Sales² in which the funds for the purchase of commodities are obtained under a loan from the government of an exporting country tied to the purchase of those commodities, distinguished as follows with respect to the period of payment: (a) 10 years or more; (b) over 3 years and under 10 years.

¹ The delegate of India reserved his Government's position on the inclusion of this item.

² The delegate of India reserved his Government's position on the inclusion of this item.

12. Transactions under categories 1 to 4 and 7 to 11 subject to tied Usual Marketing Requirements or to tied Offset Purchasing Requirements.
13. Transactions under categories 1 to 4 and 7 to 11 subject to tied purchase of fixed quantities of the same or another commodity from the exporting country.
14. Government and non-government sponsored barter transactions involving price concessions.
15. Non-government sponsored barter transactions involving price concessions.
16. Sales for non-convertible currency not involving price concessions.

The CSSD as a Forum for Multilateral Consultations

24. As noted above an aid-supplying country is obliged to notify the CSSD after it has completed its bilateral consultations, notification being sent to the Secretary of the CSSD in sufficient time to provide advance notice of at least three working days before an agreement is signed. The channel of notification is the Washington representative to the CSSD. The form used is the same as the one used for consultation purposes (Appendix C) although notification to CSSD may include several commodities on the one form. Normally a separate form for each commodity is required for consultation purposes but this need not apply for notifications to the CSSD. After receiving the notification, the Secretary sends it to all members and observers and adds it to the documents for review at the following meeting of the Subcommittee.¹

¹ See paragraph 71, Part 2 of the 1992 Handbook for details of these reporting procedures.

25. The supplying country should, wherever possible, set out the import data used in determining the UMR level in the notification to the CSSD; or alternatively, indicate acceptance of the data previously reported by another donor. The source of the import data should also be indicated. Other information should include the countries consulted during the bilateral consultation phase, and the expiry date for the 12-month, fiscal, crop or calendar year, for the period during which the UMR was established.¹ The supplying country should be prepared to take into account any questions raised by other members at CSSD meetings and may modify the transaction as a result of these discussions.

World Food Programme Development Projects

26. While suppliers are obliged to report donations to the World Food Programme and other intergovernmental organizations on an ex post facto basis, the CSSD has collaborated with the WFP to arrange special consultation procedures for development projects where commodities are supplied as part of the WFP assistance programme. These projects usually involve food for work or special feeding programmes but may also involve direct commodity assistance. During the early stages in its preparation, the WFP secretariat provides details of the project to the CSSD Secretary. The Secretary prepares a notification containing a brief description of the project along with a list of the commodities by volume and value, to be included in the proposal. This is circulated for review by CSSD members with the understanding that any objections should be raised within ten working days. Questions or objections may also be raised at the subsequent meeting of the CSSD. The Secretary conveys any comments to the WFP Secretariat in Rome where they are taken into account before the project is finalized.

¹ These procedures for UMRs were agreed to at the 230th, 243rd and 410th meetings of the CSSD.

27. The WFP, in consultation with the CSSD, developed guidelines where it agreed to notify the CSSD of any UMRs negotiated with recipients in cases where the food aid was designed to be sold in the open market and to provide trade data in certain circumstances as part of its notification.¹ The guidelines also provided that where a recommended UMR departed from the normal trade average, the CSSD would conduct consultations with countries having a major export interest in the transaction. The WFP agreed that the venue for these exporter consultations should be in Washington, D.C.

Exemptions to the CSSD Consultative Obligations

28. In order to assist members in applying the revisions to the consultative and reporting obligations set out in the Annex to Council Resolution 1/113, the following summary is provided as a guide. Members should be aware that every transaction listed in the Register of Transactions is subject to ex post facto notification to the CSSD. Many transactions are also subject to prior notification, consultation and UMR procedures. As noted above, these reporting procedures are designed to protect exporters from any harmful effects that may occur to their commercial markets as a result of the shipments of food aid. Since CSSD members consider that the following types of food aid are of such a nature as to cause little harm to commercial trade, they are exempted from bilateral consultations and UMRs. However, as pointed out above, the FAO guidelines require that they be notified to the CSSD ex post facto as soon as practicable.

- (a) ***Bilateral grants of commodities or cash from a government to an intergovernmental organization.*** These transactions exclude WFP project proposals set out in paragraphs 26 and 27 above, which are subject to special reporting procedures.

¹ See paragraph 82, Part 2, 1992 Handbook.

- (b) ***Emergency transactions.*** It should be noted that the CSSD has agreed that the ex post facto notification of these transactions should specify the nature of the emergency.
- (c) ***Transactions of relatively small size.*** These transactions have been defined by the CSSD according to the commodity involved as follows; wheat and grains (maize, sorghum, barley, oats, etc.), not over 10,000 tonnes; rice, not over 1,000 tonnes; dry skim milk , not over 400 tonnes, and butteroil, not over 200 tonnes. These are aggregate quantities per donor to a single recipient country during any 12-month period.
- (d) ***Transactions effected through private charitable institutions.*** It has been customary for donors to report these transactions to the CSSD annually in one comprehensive report.
- (e) ***Monetary grants by a government to a recipient country for the specific purpose of purchasing a commodity from a low income food deficit country (LIFDC) or local producers in the recipient country.*** The CSSD noted that not only would these transactions have little chance of affecting commercial trade, they might prove to be of assistance to trade among developing countries and to domestic producers.
- (f) ***Concessional transactions involving government support through barter, or through sales of non-convertible currency, or other special arrangements that interfere with normal commercial trade.*** These transactions would include those transactions listed in the Register as types 14, 15 and 16.

APPENDIX A
MEMBERS, OBSERVERS and INTERNATIONAL
ORGANIZATIONS
 (As of November 2000)

Members (41)

Argentina	Germany	Myanmar
Australia	Ghana	Netherlands
Austria	Greece	New Zealand
Bangladesh	Guyana	Pakistan
Belgium	India	Paraguay
Bolivia	Indonesia	Peru
Brazil	Iraq	Spain
Canada	Ireland	Sri Lanka
Costa Rica	Italy	Thailand
Cuba	Jamaica	Turkey
Ecuador	Japan	United Kingdom
EEC	Lebanon	United States
Egypt	Malawi	Uruguay
France	Mexico	

Observers (16)

Chile	Honduras	Panama
Denmark	Islamic Republic of Iran	Philippines
Dominican Republic	Jordan	Sweden
El Salvador	Republic of Korea	Switzerland
Finland	Malta	
Guatemala	Norway	

International Organizations (7)

International Bank for Reconstruction and Development (IBRD)

International Cotton Advisory Committee (ICAC)

International Federation of Agricultural Producers (IFAP)

International Monetary Fund (IMF)

Organization of Economic Cooperation and Development (OECD)

Organization of American States (OAS)

United Nations Economic Commission for Latin America & the Caribbean (ECLAC)

APPENDIX B
OFFICERS OF THE CSSD (1985 to 1999) ¹

Meeting	Date	Chairperson	Vice-Chairperson
320 th	20 Feb. 1986	Brian D. Sanders <i>(New Zealand)</i>	Mohamed Tayel <i>(Egypt)</i>
329 th	13 Jan. 1987	Mohamed Tayel <i>(Egypt)</i>	Hidenori Murakami <i>(Japan)</i> Torben Milthers ² <i>(Denmark)</i>
339 th	9 Feb. 1988	Torben Milthers ³ <i>(Denmark)</i>	Jennifer Lester <i>(Jamaica)</i>
349 th	17 Jan. 1989	Jennifer Lester <i>(Jamaica)</i>	Chris De Cure <i>(Australia)</i>
358 th	17 Jan. 1990	Chris De Cure ⁴ <i>(Australia)</i>	Akbar Ali Khan <i>(Bangladesh)</i>
367 th	30 Jan. 1991	Akbar Ali Khan ⁵ <i>(Bangladesh)</i>	Anders Lundin <i>(Sweden)</i>

¹ For officers serving from 1954 to 1985 see Appendix E-1 of the 1992 Handbook.

² Elected Vice-Chairperson at the 335th meeting (July 1987) following the departure of Mr. Murikami.

³ Served through 354th meeting (September 1988).

⁴ Served through 365th meeting (November 1990).

⁵ Served through 372nd meeting (September 1991).

376 th	8 Jan. 1992	Anders Lundin (Sweden)	Eugenio Diaz-Bonilla (Argentina)
386 th	6 Jan. 1993	Eugenio Diaz-Bonilla (Argentina)	Jean-Baptiste Danel (France)
394 th	9 Feb. 1994	Jean-Baptiste Danel ¹ (France)	Fiona Cooper (New Zealand)
401 st	12 Oct. 1994	Fiona Cooper (New Zealand)	Arnold Parzer (Netherlands)
413 th	24 Jan. 1996	Arnold Parzer (Netherlands)	Patuan Siagian (Indonesia)
420 th	18 Dec. 1996	Arnold Parzer (Netherlands)	Patuan Siagian (Indonesia)
426 th	4 Mar. 1998	Patuan Siagian (Indonesia)	Amy Winton (United States)
430 th	17 Mar. 1999	Amy Winton (United States)	Jose Molina (Argentina)

¹ Served through 399th meeting (July 1994).

APPENDIX C
PRO FORMA FOR PRIOR NOTIFICATION ¹

Not for publication until the transaction is officially announced

1. TYPE OF TRANSACTION (i.e., identify from those included in Register of Transactions)
2. AID-SUPPLYING COUNTRY ²
3. RECIPIENT COUNTRY OR INTERNATIONAL ORGANIZATION
4. COMMODITY TABLE

<i>Commodity</i> ³	<i>Quantity</i> (in tonnes)	<i>World Market Value</i> ⁴ (in US dollars fob)
-------------------------------	--------------------------------	---

5. SUPPLY PERIOD
6. TERMS OF LOANS OR SALES ON CREDIT, IF APPLICABLE (i.e., for types 9, 10 and 11, indicate interest rate, repayment period, other related terms)

¹ This form is not required for transactions described in paragraphs 3, 4 and 5 of the Annex to Resolution 1/113 (Appendix F). Note also paragraph 28 concerning exemptions.

² If programmed commodities are a contribution being made in connection with an international programme (e.g., FAC), this fact should be specified under this item; if, under a monetary grant, a third country (not an LIFDC), supplies the commodity, this information should be included.

³ To facilitate bilateral consultations on multicommodity transactions, it is suggested that there should be a separate notification for each commodity.

⁴ Based on prevailing world export market prices, excluding insurance and ocean transport; or if different, value established in this transaction by supplying country. If financing of ocean transport or other services is included in transaction, indicate this cost separately.

7. PROVISIONS TO SAFEGUARD NORMAL COMMERCIAL TRADE,
INCLUDING THE USUAL MARKETING REQUIREMENTS ¹
8. OTHER EXPLANATORY COMMENTS ²
9. RESPONSE TO BILATERAL CONSULTATIONS BY: (insert date)

¹ Statistical data used in establishing UMRs, identified as to source (i.e., IWC, FAO), should be appended.

² The names of the countries consulted bilaterally should be included.

APPENDIX D
PRO FORMA FOR EX POST FACTO NOTIFICATION¹

1. TYPE OF TRANSACTION (i.e., identify from those included in Register of Transactions)
2. AID-SUPPLYING COUNTRY²
3. RECIPIENT COUNTRY OR INTERNATIONAL ORGANIZATION
4. COMMODITY TABLE

<i>Commodity(ies)</i>	<i>Quantity(ies)</i> (in tonnes)	<i>World Market Value</i> ³ (in US dollars fob)
5. SUPPLY PERIOD
6. TERMS OF LOANS OR SALES ON CREDIT, IF APPLICABLE (i.e., for types 9, 10 and 11, indicate interest rate, repayment period, other related terms)
7. OTHER EXPLANATORY COMMENTS⁴

¹ This form should be used for transactions described in paragraphs 3(a), (b), (c) and 4 of the Procedures, namely transactions effected through intergovernmental organizations, emergency transactions, local purchase or purchase from LIFDC countries under category 4, and government to government transactions of relatively small size.

² If programmed commodities are a contribution being made in connection with an international programme (e.g., FAC), this fact should be specified under this item; if, under a monetary grant, a third country supplies the commodity, this information should be included.

³ Based on prevailing world export market prices, excluding insurance and ocean transport; or if different, value established in this transaction by supplying country. If financing of ocean transport or other services is included in transaction, indicate this cost separately.

⁴ Including a brief statement of the nature of the involvement of the intergovernmental organization or the nature of the emergency, if applicable.

APPENDIX E

PRO FORMA FOR ANNUAL NOTIFICATION OF SHIPMENTS EFFECTED THROUGH PRIVATE CHARITABLE INSTITUTIONS

1. TYPE OF TRANSACTION (i.e., identify from those included in Register of Transactions)
2. AID-SUPPLYING COUNTRY
3. SUPPLY PERIOD (i.e., the most recent 12 month period, as fiscal or calendar year)
4. OTHER INFORMATION

Recipient Country	Private Institution	Commodity	Quantity (tonnes)	Value ¹ (US dollars)
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

¹ World market value, fob, i.e., based on prevailing world export market prices, excluding insurance and ocean transport; or, if different, value established in this transaction by supplying country. If financing of ocean transport or other services is included in transaction, indicate this cost separately.

APPENDIX F

Council Resolution 1/113

Consultative Obligations of Member Nations under FAO Principles of Surplus Disposal

THE COUNCIL,

Noting that the Consultative Sub-committee on Surplus Disposal (CSSD), a subsidiary body of the Committee on Commodity Problems (CCP), was established by the FAO in 1954 to monitor international shipments of surplus agricultural commodities used as food aid in order to minimize the harmful impact of these shipments on commercial trade and agricultural production,

Recalling the Annex to Council Resolution 1/53 (October 1969) containing procedures for notification and consultation on food aid transactions under the *Principles* of surplus disposal and including the *Catalogue of Transactions*¹,

Considering that the CCP at its Sixtieth Session (April 1995) had welcomed the incorporation of the *Principles* in the WTO Agreement on Agriculture and had urged the Sub-committee to undertake a review of the *Principles*, focusing in particular on the *Catalogue of Transactions*, including the “grey area” transactions,

Considering that the CCP at its Sixty-First Session in February 1997 recommended that the CSSD further consider its report which should be presented to the Bureau for review and subsequently relayed by the Bureau to the FAO Council for decision, and that the report of the CCP

¹The Catalogue of Transactions is given in the CSSD Handbook entitled FAO Principles of Surplus Disposal and Consultative Obligations of Member Nations (last updated in 1992).

containing this recommendation was endorsed by the Council at its Hundred and Twelfth Session in June 1997:

1. **Endorses** the recommendations of the CSSD, for a revision of the Procedures contained in Annex to Resolution 1/53, including the change in the term *Catalogue of Transactions* to *Register of Transactions*, as set out in the Annex to this Resolution:
2. **Requests** the Director-General
 - (a) to transmit to Member Nations and Associate Members the text of the present Resolution and the annexed recommendations and to invite them to signify their readiness to follow the agreed procedures, and
 - (b) to draw the attention of Member Nations and Associate Members to the benefits to be derived from the widest possible participation of Governments in the activities of the CSSD.

Rome, 6 November 1997

Annex to Resolution 1/113

**PROCEDURES FOR NOTIFICATION AND CONSULTATION
UNDER THE PRINCIPLES OF SURPLUS DISPOSAL
RECOMMENDED BY FAO**

The following procedures for notification and consultation are applicable to transactions of the types mentioned in the Register of Transactions reproduced below.

Notification and Consultation

- (1) All reporting and consultative obligations and procedures shall be based on the principle of reciprocity among Member Nations and Associate Members.
- (2) Before carrying out any transaction in agricultural commodities¹ of a type mentioned in the Register of Transactions, and taking into account the special situations covered in paragraphs (3), (4) and (5), below, the supplying country shall:
 - (a) undertake bilateral consultations with countries substantially interested by reason of their exports of the commodity concerned to the recipient country;
 - (b) notify the CSSD of the main features of the proposed transaction in order to provide other countries directly interested in exports of the commodity an opportunity for bilateral consultations, it being understood that this

¹ Excluding transactions involving small quantities of seed and planting material supplied to developing countries.

would not result in any lengthening of the total period of consultation.

- (3) The above procedures shall not apply to:
- (a) Transactions effected through intergovernmental organizations (including WFP) whose commodity transfers are already subject to special consultative rules or through intergovernmental organizations (including UNICEF and UNRWA) whose operations are of such a nature and volume as not to constitute a substantial danger of harmful interference with normal patterns of production and international trade. In such cases, donor countries shall notify the CSSD *ex post facto* as soon as practicable.
 - (b) Emergency transactions. In such cases, donor countries shall notify the CSSD *ex post facto*.
 - (c) Monetary grants as set out in category 4 in the Register of Transactions where the commodity is purchased locally or from a low-income food-deficit country (LIFDC) as defined by the Food and Agriculture Organization. In such cases, donor countries shall notify the CSSD *ex post facto*.
- (4) Transactions of relatively small size (as defined below) which are not likely to result in harmful interference with normal patterns of production and international trade shall be notified to the CSSD *ex post facto* as soon as practicable. Relatively small size levels are defined as follows: for wheat and other cereals, a quantity not over 10,000 tonnes; for rice, a quantity not over 1,000 tonnes; for dry skim milk, a quantity not over

400 tonnes; and for butteroil, a quantity not over 200 tonnes. These are aggregate quantities for one donor to a single recipient country during a 12-month period.

- (5) FAO Member Nations which effect transactions through private charitable institutions shall periodically notify the members of CSSD using the CSSD distribution machinery in a reasonably comprehensive form, of the relevant data on the current pattern of programmes and projects, so that a Member Nation which considers its commercial trade endangered may request bilateral consultation.

Modifications to the List of Transactions and to the Register of Transactions

- (6) There was general agreement that the lists of transactions were not exclusive and that some new types of transactions might be identified in the future. The Committee considered that the CSSD should be prepared to examine proposals by Member Nations for additions to or deletions from the List of Transactions¹ and modifications to the Register of Transactions. If the CSSD, after taking account of arrangements in other international organizations, concluded that the type of transaction concerned fell within the scope of the FAO Principles of Surplus Disposal, it could request the CCP to decide whether it should be added to the categories of transactions subject to consultations and/or reporting.

Position of Developing Countries

- (7) The Committee reaffirmed that, as agreed by the Council at its Twenty-Ninth Session, the governments of recipient countries continued to be under no obligation to take steps for

¹ See list of twenty types of transactions in international agricultural trade, paragraph 132, Report of the 44th Session of the CCP, CL 53/4 (CCP 69/28) 15 October 1969. Also Appendix F of the 1992 Handbook.

prior consultation or reporting. The Committee agreed that, in keeping with the spirit of the FAO Principles of Surplus Disposal and Guiding Lines, the recommended procedures for consultations and reporting should not constitute an obstacle to, or cause undue delay in, the provision of food aid which was urgently required by a developing deficit country.

- (8) The Committee agreed that special consideration should be given to the interests of developing exporting countries which depended heavily on export earnings from agricultural commodities. It also agreed that special consideration should be given to the safeguarding of local production and markets of developing countries.

Obligations of Member Nations in Other Organizations or Under International Agreements

- (9) The Committee recognized that in relation to the transactions it had identified, Member Nations may also have incurred obligations in other organizations and under international agreements, and that nothing recommended above in any way diminished these obligations or commitments. Likewise, nothing recommended above detracted from the generality of the FAO Principles of Surplus Disposal.

APPENDIX G

Council Resolution No. 2/20

Principles of Surplus Disposal

THE COUNCIL

Recalling *FAO Conference Resolution No. 14 (53) on the Disposal of Agricultural Surpluses;*

Having noted *the findings and recommendations presented in pursuance of Conference Resolution No. 14 (53) in the report of the CCP Working Party on Surplus Disposal (CCP 54/2);*

Having further noted *the recommendations transmitted to FAO Member Governments by the Committee on Commodity Problems in Section VI of the Report of its Twenty-third Session;*

Endorses *the findings, recommendations and actions of the Committee on Commodity Problems in pursuance of Conference Resolution No. 14 (53);*

Urges *FAO Member Governments to give serious consideration to the principles of surplus disposal which are contained in the attached statement and which were recommended to governments by the Committee on Commodity Problems and endorsed by the Council;*

Requests *the Director-General of FAO to transmit to Member Governments this Resolution, together with the attached statement of Principles of Surplus Disposal recommended by FAO asking Member Governments to inform him well in advance of the next Council Session whether they are prepared to adhere to these principles, and to communicate to him any observations they may wish to make on them;*

Decides *that the matter, including replies received from governments, should be considered further at the next sessions of the CCP and Council;*

Draws *the attention of Member Governments to the attached statement of general guiding lines formulated by the CCP at its Twenty-third Session.*

Principles and Guiding Lines

PRINCIPLES OF SURPLUS DISPOSAL RECOMMENDED BY FAO

General Principles

1. The solution to problems of agricultural disposal should be sought, wherever possible, through efforts to increase consumption rather than through measures to restrict supplies.
2. Member Governments which have excess stocks of agricultural products should dispose of such products in an orderly manner so as to avoid any undue pressure resulting in sharp falls of prices on world markets, particularly when prices of agricultural products are generally low.
3. Where surpluses are disposed of under special terms, there should be an undertaking from both importing and exporting countries that such arrangements will be made without harmful interference with the normal patterns of production and international trade.

Principles governing sales on concessional terms

4. In determining whether or not sales on concessional terms or grants to a given region ¹ cause any harmful

¹ The “given region” may be either “all foreign markets” or a particular area.

interference with normal patterns of production and international trade, and prices, account should be taken of special factors affecting trade in the commodity concerned, with particular regard to the following aspects:

- (1) the extent to which commodities supplied on concessional terms are likely to be absorbed by additional consumption (i.e., consumption which would not have taken place in the absence of the transaction on special terms);
- (2) to the extent that sales of the commodities supplied on special terms may constitute some danger of displacement of commercial sales of identical or related commodities, that danger will have to be assessed in the light of relevant factors, particularly the following:
 - (a) the exporter's share in the region's imports of the commodity concerned during a representative base period, due allowance being made for factors which lessen the significance of such historical comparisons;
 - (b) whether the exports on special terms are likely to form so small (or large) a share of the region's imports of the commodity ¹ that the effect of special terms on such trade is likely to be of minor (or major) significance;
 - (c) the degree of importance of trade in the commodity to the economy of the exporter concerned, to the economies of competing exporters of the commodity concerned and of

¹ If the "region" is a "particular area" the significance of the exports on special terms on world trade generally may have to be considered as an additional criterion.

closely related commodities and to the importing region's economy;

- (d) the character and extent of the concession offered and their probable effect on (i) the region's usual total imports of the commodity concerned and related commodities, (ii) the exporter's share in the region's imports of the commodity concerned, and (iii) the interference with implementation of treaties or agreements which deal with world trade in commodities;
 - (e) the degree to which commercial market prices are, or are likely to be, affected in the importing region and in world trade;
 - (f) the degree, if any, to which effects of the kind mentioned under (d) and (e) above are likely to affect the stability, or desirable expansion, of production and trade of the commodity concerned and of closely related commodities in both exporting and importing countries.
5. In weighing the advantages to countries benefiting from special disposal measures against the possible harm done to other countries, account must be taken of the relationship of possible sacrifices to the economic capacity of the countries concerned, and in particular to the effects of such sacrifices on their rates of development.
6. In accordance with paragraph 4 above, the following more specific considerations should be taken into account in determining whether or not harmful interference with normal patterns of production and trade is caused, or likely to be caused, by some of the most important types

of transactions on concessional terms, namely the following:

- (1) Sales on concessional terms, or grants, in aid of development

Account should be taken, in particular, of the following aspects:

- (a) The extent to which commodities supplied on special terms in aid of economic development are likely to be absorbed by *additional* consumption, which will depend *inter alia*, on the net increase in purchasing power resulting from total new development expenditure, and on the extent to which such additional purchasing power will be directed to purchases of the commodity supplied on special terms;
 - (b) To the extent that exports of the commodity supplied on special terms in aid of development programs may constitute some danger of displacement of commercial sales of identical or related products, that danger will have to be weighed against the advantages resulting from such programs to the receiving country and to the world at large.
- (2) Sales on concessional terms, or grants, for special welfare distribution programs

Account should be taken, in particular, of the following aspects:

- (a) Whether the conditions for, and facilities for, welfare distribution in the recipient country are likely to be

such as to lead to additional consumption of the beneficiary group;

- (b) To the extent that the transaction may constitute some danger of displacement of commercial sales of identical or related products, that danger will have to be weighed against the character and extent of the benefits resulting from the contribution to the welfare program.

- (3) Sales on concessional terms, or grants, for emergency relief

Account should be taken, in particular, of the following aspects:

- (a) The character, extent, and urgency of the emergency;
- (b) The effect of the emergency on the stricken country's ability to pay;
- (c) The volume of relief and the character and extent of the concessions offered, and their probable effect on the total commercial imports of the stricken country, and on the trade of competing exporters.

- 7. Assurance against resale or trans-shipment

- (1) In bilateral transactions involving special concessional terms, the intended beneficiary country should make every effort to prevent resale or trans-shipment to other countries, or the use for other than additional domestic consumption, of the commodities supplied on concessional terms.

- (2) Care should also be taken by the intended beneficiary to prevent exports of supplies of the same or related commodities which might be freed for sale abroad as a result of the country's imports on special terms.
- (3) Where a triangular transaction occurs, under which a commodity supplied on special terms is shipped for processing in a third country, the third country should use its best endeavours to ensure that the commodities supplied on special terms are trans-shipped to the intended beneficiary. The same principles should apply when more than three countries are involved.

Principles governing sales of government-held stocks in exceptional volume, or at an exceptionally rapid rate

8. Harmful interference with normal patterns of production and international trade can be caused not only by sales on concessional terms but also by the quantity of the commodity sold, and/or the rate at which it is moved, seen in relation to other market characteristics.
9. Since it is difficult to agree on any precise definition of "exceptional" volume or rate of sales, or of "harmful interference caused by such sales", these aspects need to be ascertained by the merits of each case with the aid of a series of common-sense criteria on the lines of those listed in paragraphs 4 and 5 above. In the case of very large bulk transactions or sudden drastic changes in governmental sales policies, such as the sudden abandonment of price-support measures and large-scale releases of stocks on foreign markets (e.g., liquidation of stockpiles), it will probably not be difficult in practice to ascertain that the volume or rate of offerings are exceptional. Governments undertaking, or proposing to undertake, such large-scale releases, should, whenever

practicable, consult with other countries interested in the possible effects of such transactions.

GUIDING LINES FOR DEALING WITH AGRICULTURAL SURPLUSES

Within the framework of its general agreement with the findings and recommendations of the Report of the CCP Working Party on Surplus Disposal (CCP 54/2), the Committee on Commodity Problems, in paragraph 15 to 21 of the Report of its Twenty-third session, referred specifically to the following aspects:

- (a) Measures to dispose of surpluses already in existence will not solve the surplus problem unless parallel measures are taken to avoid the accumulation of new surpluses.
- (b) In general, the adjustment of supply and demand shall be sought in the expansion of consumption, especially through increased incomes rather than in the reduction of production.
- (c) Such output reductions as may appear unavoidable, in the light of existing supply levels and market prospects, should be brought about, as far as practicable, through economic disincentives rather than through physical restrictions.
- (d) Steps for improving the international co-ordination of national policies must form an integral part of any sound program of surplus prevention.
- (e) The adoption of special measures to dispose of surpluses must not be allowed to overshadow the importance of price adjustments, of policies of full employment and of economic development, of less restrictive trade policies and of the

discouragement of uneconomic production as basic means of dealing with the problem of surpluses.

- (f) Special consideration must be given to the economies of less developed countries which depend largely on export receipts for a limited number of primary products.
- (g) Consideration must also be given to balance-of-payments problems.

APPENDIX H

Annex to Council Resolution 2/55

Procedures for the Establishment of Usual Marketing Requirements (UMRS)

1. The Committee reaffirmed the need for safeguarding usual commercial trade and for this purpose, the need to establish safeguards with the objective that the recipient country maintained at least the usual global commercial imports of the commodity concerned ¹ in addition to the imports under the concessional transaction.
2. The Committee agreed that the establishment of a UMR was a useful and necessary technique in order to ensure observance of the FAO Principle of additionality. The Committee therefore recommended that any transaction undertaken by governments in categories subject to prior consultation, as provided in paragraph (2) of Annex to Council Resolution 1/53, ² shall be subject to the establishment of a UMR, as appropriate to the specific situation in order to ensure that the transaction resulted in additional consumption and did not harmfully affect normal patterns of production and trade. The UMR should be defined as the specific agreement by the recipient country to maintain at least a specified level of commercial imports in addition to any imports of the same ³ commodities under the concessional transaction.
3. The Committee noted that the FAO Principles of Surplus Disposal contain provisions aimed at avoiding the danger of displacement

¹ The delegate of the Democratic Republic of the Sudan reserved the position of his Government on the deletion from the original draft of the words "or related commodities".

² See Council Resolution 1/113 (Appendix F), revising Res. 1/53.

³ See footnote 1.

of commercial sales of closely related commodities,¹ and it reaffirmed that any interested country should have the opportunity to be consulted in this connection. The Committee therefore agreed that the supplying country should consider whether commercial trade in closely related commodities was likely to be harmfully affected and, if so, it should undertake consultations under the procedures set out in the Annex to Council Resolution 1/53, and take appropriate measures to safeguard such trade. A third party may request consultations with a supplying country on its own initiative.

4. In principle, the UMR should reflect the traditional commercial imports of the recipient country. The determination of a UMR should also take into account the economic and balance of payments position of the recipient countries and their development needs, and should not constitute an undue burden on them.
5. If the application of the principles in paragraph 4 leads to a change in UMR levels, wherever they exist, then such changes should take account of the balance of payments position of the recipient country and should avoid disruptive effects on its economic development.
6. The following steps will be taken to arrive at a UMR for a particular recipient country for a specified period.²
 - (a) As a point of departure, the supplying country approached will attempt to calculate the statistical figure representing the total commercial imports of the commodity concerned by the requesting country in a representative period of

¹ Especially the Principles in paragraph 4 (2) and that in paragraph 6 (1) (b) (Disposal of agricultural surpluses: Principles recommended by FAO, Rome 1967).

² The delegate of France declared that, with respect to the procedures for the establishment of a UMR, France intended to adhere to the undertakings set out in paragraph 2 of the Annex to Resolution 1/53.

years, which should normally be the preceding five years. To help arrive at an as accurate a statistical basis as possible, the FAO will be prepared to furnish Member Nations with basic trade statistics including a breakdown according to types of transactions¹ relating to the commodity and country concerned. To this end, Member Nations are requested to extend full cooperation in supplying the data required to facilitate the task of the secretariat.

- (b) The Committee recognized that the statistical figure of the total commercial imports of the recipient country in a representative period might need to be modified by special factors such as the following:
 - (i) a substantial change in production in relation to consumption of the commodity concerned in the recipient country;
 - (ii) A substantial change in the balance of payments position or general economic situation of the recipient country;
 - (iii) Evidence of a significant trend in the reference period in the commercial imports of the commodity concerned of the recipient country;
 - (iv) The level of the relevant UMR negotiated according to the procedures laid down in the present paragraph by the interested countries in the nearest previous period. However, when a UMR is negotiated for the first time under these procedures, note will be taken of the provisions of para 5 above;

¹ Transactions included in the Annex to Council Resolution 1/113, (the Register of Transactions) on the one hand, and all other transactions on the other.

- (v) Any exceptional features affecting the representativeness of the reference period for the recipient country;
 - (vi) Any other special considerations, including those which the Government of the recipient country may raise in its request or otherwise.¹
- (c) The proposed figure, with appropriate explanation in cases where it differs from the basic statistical figure (which shall also be notified), will be the subject of bilateral consultation with those Member Nations whose normal commercial exports may be affected by the transaction; if there is a suggestion for changing the negotiated UMR, then this should be discussed between the supplying and the recipient country.
- (d) The proposed UMR, as determined by the supplying country in the light of the bilateral consultations will be included in the prior notification to CSD of the main features of the transaction, as provided in para. (2) (b) of Annex to Council Resolution 1/53.²
- (e) The final step in establishing the UMR will be the negotiation between the supplying country and the recipient country³

¹ The delegate of Argentina stated: "With respect to this text and with particular reference to paragraph 8, my government understands that since for each period of time there will be only one UMR, both the receiving country and the supplying countries carrying out transactions for those same products during the same period, will be subject to that particular UMR. With this interpretation my delegation agrees to accept the text as proposed by the Working Party and formulates reservations as to the amendments introduced to that text".

² Revised by Resolution 1/113 (See Appendix F).

³ The delegate of the Democratic Republic of the Sudan also reserved the position of his Government with respect to paragraph 6 (e) because it did not include the words "the conclusion of ...".

7. In determining a UMR for a given period, a supplying country would ensure at the stage of bilateral consultations that all the interests concerned were taken fully into account, and use its best endeavours to arrive at a UMR that would be generally acceptable to all the parties concerned.
8. For any given recipient country and commodity the UMR should be established ¹ for a given period of time (e.g. the calendar, fiscal or crop year ² or any other period of 12 months, according to procedures to be agreed between the supplying country and the recipient) it being understood that during this period of time there can be only one such UMR.
9. In the event of an unforeseen and substantial deterioration in the balance of payments and general economic situation of the recipient country during the life of a particular UMR, such UMR may be re-negotiated with respect to the same commodity and the same period of time.
10. The Committee agreed that, if the need to improve procedures for establishing the UMR arises, the CSD should study the problems concerned in order to assist any further consideration by the CCP.

¹ See footnote 1 on page 45.

² *ibid.*

APPENDIX I

RULES OF PROCEDURE OF CONSULTATIVE SUB-COMMITTEE ON SURPLUS DISPOSAL¹

I. Officers

1. The Consultative Subcommittee on Surplus Disposal shall elect annually or for such period as the Subcommittee may decide, a chairman and a vice-chairman from among the representatives of its eligible members, to remain in office until the election of a new chairman and vice-chairman.
2. The chairman, or in his absence the vice-chairman, shall preside at meetings of the Subcommittee and exercise such other functions as may be required to facilitate its work. In the event of the chairman and vice-chairman not being able to preside at a meeting, the Subcommittee shall appoint the representative of one of its eligible members to take the chair.
3. The Director-General of the Organization shall appoint a secretary who shall perform such duties as the work of the Subcommittee may require, and prepare the records of the proceedings of the Subcommittee.

II. Meetings

1. The Subcommittee shall hold a meeting each month, or as often as it considers necessary, or on the call of the chairman in consultation with the secretary.

¹ The revised Rules of Procedure were adopted at the sixty-fifth meeting of the Consultative Subcommittee on Surplus Disposal and include consequential revisions following the thirty-third session of the Committee on Commodity Problems in June 1960.

2. Meetings of the Subcommittee shall be held in private, unless otherwise decided by the Subcommittee. In exceptional circumstances, the Subcommittee may decide, in the interests of the Organization, to restrict attendance at a private meeting to the representatives of each Member Nation and Associate Member of the Organization.
3. Meetings of the Subcommittee shall be in Washington, D.C.
4. Notice of the date and place of each meeting shall ordinarily be communicated to all members of the Subcommittee and to participating observer nations, Associate Members and organizations at least one week in advance.
5. Each member of the Subcommittee shall have one representative. Such member may appoint an alternate and advisers to its representative on the Subcommittee.
6. Presence of the representatives of a majority of the members of the Subcommittee entitled to vote shall constitute a quorum for any formal action by the Subcommittee.

III. Attendance

1. Attendance at its meetings shall be open to representatives of all Member Nations and Associate Members of the FAO and to representatives of all international organizations that are entitled to send observers to the Committee on Commodity Problems. Participation of such international organizations in the work of the Subcommittee shall be governed by the relevant provisions of the Constitution and the General Rules of the Organization as well as by the rules on relations with international organizations.
2. Observers may participate in the Subcommittee's discussions on any subject in which they are particularly interested and may

bring to the Subcommittee's attention any matter within its terms of reference.

3. Any Member Nation or Associate Member of the Organization that is not a member of the Subcommittee may submit memoranda on any item on the agenda of the Subcommittee, and participate without vote in any discussion at a public or private meeting of the Subcommittee, subject to the provisions of Rule II.2 above.
4. Members of the Subcommittee that have been unrepresented at three consecutive monthly meetings of the Subcommittee shall be requested by the secretary to state whether they intend to maintain membership in the Subcommittee or whether they would wish to be considered as observers.

IV. Agenda and documents

1. The secretary, in consultation with the chairman of the Subcommittee, shall prepare a provisional agenda and circulate it ordinarily one week in advance of the meeting to all members of the Subcommittee and to all participating observer nations, Associate Members and organizations.
2. Any member of the Subcommittee or any observer nation or organization may request the secretary to insert an item on the provisional agenda. The secretary shall thereupon circulate the proposed item to members of the Subcommittee and participating observer nations, Associate Members and organizations, together with any necessary papers.
3. The Subcommittee in session may, by general consent, amend the provisional agenda by the addition, deletion or modification of any item, provided that no matter referred to it by the Committee on Commodity Problems or on the request of the Council or Conference may be omitted from the agenda.

4. Documents not already circulated shall be dispatched with the provisional agenda or as soon as possible thereafter.

V. Voting

1. Subject to the provisions of paragraph 2 of this article, each member of the Subcommittee shall have one vote.
2. In accordance with the provisions of Rule XXXI.I of the General Rules of the Organization, Associate Members may participate in the deliberations of the Subcommittee but shall not hold office nor have the right to vote.
3. The decisions of the Subcommittee shall be ascertained by the chairman. If it does not prove possible to reach a decision by general consent, the chairman shall resort, upon the request of one or more representatives of members of the Subcommittee, to a vote, in which case the pertinent provisions of Rule XII of the General Rules of the Organization shall apply *mutatis mutandis*.

VI. Records and reports

1. Subject to the provisions of paragraph 3 of this rule, a summary record of each meeting shall be circulated in provisional form to members and to participating observers within one week after the closure of the meeting. Verbatim records of statements at any meeting may be filed by representatives of Member Nations and Associate Members of the Organization and international organizations that have participated in the meeting for attachment to the summary record.
2. Representatives of nations and organizations that have participated in a meeting shall submit to the secretariat within three working days after the receipt of the provisional summary

record their corrections thereto. The secretary shall then prepare immediately a revised summary record which shall be submitted for formal adoption at the next meeting of the Subcommittee. Subject to the provisions of paragraph 3 of this rule, final records of meetings shall be circulated to all representatives of members of the Subcommittee and of participating observer nations, Associate Members and organizations.

3. Whenever a meeting of the Subcommittee is held which is restricted to representatives of each Member Nation and Associate Member of the Organization in accordance with the provisions of Rule II.2 above, the Subcommittee shall at the beginning of that meeting decide whether a record of the meeting shall be kept and, if so, what circulation, not exceeding that provided for in Rule VI.2, shall be given to it.
4. The Subcommittee shall report periodically to the Committee on Commodity Problems. These reports shall embody the Subcommittee's views, recommendations and decisions, including, when requested, a statement of minority views.
5. The Subcommittee's records and reports other than those submitted to the Committee on Commodity Problems shall not be available for publication without the Subcommittee's specific authorization.
6. The Subcommittee shall determine the procedures in regard to press communiqués concerning its activities.

VII. Subsidiary bodies

1. The Subcommittee may, when necessary, establish subsidiary bodies, subject to the necessary funds being available in the relevant chapter of the approved budget of the Organization and include in their membership representatives of Member Nations and Associate Members of the Organization that are not members

of the Subcommittee, but that may wish to participate on grounds of special interest.

2. Before taking any decision involving expenditure in connection with the establishment of subsidiary bodies, the Subcommittee shall have before it a report from the Director-General on the administration and financial implications thereof.
3. The Subcommittee shall determine the terms of reference of its subsidiary bodies that shall report to the Subcommittee.

VIII. Suspension of rules

1. The Subcommittee may decide to suspend any of the foregoing Rules of Procedure, provided that 24 hours' notice of the proposal for the suspension has been given and that such action is consistent with the Constitution and the General Rules of the Organization. Such notice may be waived if no member objects.

IX. Amendment of rules

1. The Subcommittee may decide, by a two-thirds majority of the votes cast, to amend its Rules of Procedure, provided that such amendment is approved by the Committee on Commodity Problems and is consistent with the rules of that committee.