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FOOD AND AGRICULTURE ORGANIZATION MACHINERY FOR CONSULTATION AND ACTION ON COMMODITY PROBLEMS

Paper Submitted by the FAO¹

In order to assist in an appraisal of the existing bodies dealing with international trade in agricultural commodities, the present paper examines in turn the various intergovernmental committees and groups acting under the FAO's Governing Body, the FAO Conference, and specifies in brief what the terms of reference, functions etc. of these different groups are.²

1. Constitutional responsibilities, policies and procedures of the FAO

Since its inception in 1945, FAO has been continuously concerned with agricultural commodity problems. As provided by its Constitution, the functions of the organization, inter alia, include the responsibility

"to promote, and where appropriate recommend, national and international action with respect to economic research relating to nutrition, food and agriculture, and to the improvement of the processing, marketing and distribution of food and agricultural products;

"to develop recommendations for the adoption of international policies with respect to agricultural commodity arrangements".³

¹Submitted by the FAO in relation to item 5 on the Committee's agenda (COM.TD/W.8).

²For a more detailed account than there is space for in the present paper, see in particular FAO Machinery for Consultation and Action on Commodity Problems, FAO document CCP 63/16, Rome, 1963.

³FAO Constitution, Article I, paragraph 2. As defined in the FAO Constitution, the term "agricultural commodity" also includes fish, marine and forest products.

Present policies and procedures in the commodity field have been shaped by the member nations of the organization in the course of its activities and derive among others from the following general propositions:

- "(a) that the principles of intergovernmental commodity policy referred to in the Economic and Social Council Resolution 30(iv) of 28 March 1947¹ and those set out in the Report of the Preparatory Commission on World Food Board Proposals² serve as a general guide to FAO member governments;
- "(b) that FAO should play an active part in the study of agricultural commodity problems and, where circumstances demanded, it should take the initiative in promoting intergovernmental action in this field;
- "(c) that, for a certain number of important commodities, commodity agreements are the best means of assuring steady markets and price stability at a fair level and thereby of encouraging primary producers to plan with confidence;
- "(d) that, in framing and concluding commodity agreements, governments should bear in mind the interdependence of agricultural commodities in respect of production, consumption, trade and prices".³

2. The FAO Committee on Commodity Problems (CCP)

The FAO Committee on Commodity Problems (CCP) is one of the constitutional committees of the organization, composed of twenty-four FAO member nations elected by and reporting to, the FAO Council.

¹The General Rules of the organization require the FAO Council to perform its functions with respect to commodity problems in conformity with the provisions of this Resolution.

²The Preparatory Commission on World Food Board Proposals enunciated certain principles concerning the content of commodity agreements, particularly as to the price determination, reserve stocks, quotas, long-term contracts, the position of non-participants, and sales at special prices.

³Report of the Third Session (1947) of the Conference of FAO.

⁴The composition of the CCP is at present under review by the FAO Council.

The terms of reference of the CCP read as follows:

"The Committee shall:

- "(a) keep under review commodity problems of an international character affecting production, trade, distribution, consumption and related economic matters;
- "(b) prepare a factual and interpretative survey of the world commodity situation, which may be made available directly to member nations;
- "(c) report and submit suggestions to the Council on policy issues arising out of its deliberations. The reports of the Committee and its subsidiary bodies shall be made available to member nations for their information."

The activities of the CCP fall under three main headings: (a) review of the major developments in the world agricultural commodity situation¹; (b) consultations on general commodity problems; (c) consultations on problems of individual commodities, including responsibility for the establishment, supervision, and termination of its specialized commodity groups and other appropriate subsidiary bodies.

Since its inception in late 1949, the CCP has maintained a continuing interest in international commodity stabilization techniques and arrangements, including all measures, national or international, which may contribute to improving prices, the volume of trade and the marketing prospects for agricultural commodities generally. The Committee was instrumental in arranging for the texts of draft agreements for olive oil and for cocoa to be drawn up by specialized groups established under its auspices and acting on its behalf. It was also the responsible body which worked out the FAO Principles on Surplus Disposal, now formally accepted by forty-nine governments.

3. Commodity study groups and other subsidiary bodies of the CCP

The CCP has authority to establish any subsidiary bodies which it deems necessary for its work, including commodity study groups.

As agreed by the CCP, Council, and Conference of FAO, the term "commodity study group" should apply to groups having the following characteristics:

¹Its work is aided by an annual document prepared by the Secretariat, the FAO Commodity Review.

- (i) groups which deal with international economic problems in the fields of production, consumption and trade of a given agricultural commodity - or closely related agricultural commodities - as distinct from the technological problems of such commodity or commodities;
- (ii) groups that are open to all member nations and associate members of the Organization, or non-member nations that are members of the United Nations that consider themselves substantially interested in the production or consumption of, or trade in, the commodity considered, and in which dependent territories may have joint or separate representation as provided for in Article 69 of the Havana Charter;
- (iii) groups whose functions are to deal with special difficulties which exist or may be expected to arise for a given commodity and which groups can be either of a temporary or standing nature;
- (iv) groups which in dealing with such special difficulties may consider, where appropriate, the feasibility and desirability of an international commodity agreement.¹

4. Special membership provisions for commodity study groups established by the CCP

FAO commodity study groups have a special status, as distinct from any other FAO bodies (including the CCP itself) which are open for membership only to FAO member nations. Other nations which are members of the United Nations organizations but not of FAO, may be invited by the FAO Council to participate as observers. In commodity study groups, however, such non-member nations may be invited to participate as full members.

5. Criteria and screening procedures for the establishment, supervision, suspension and termination of FAO commodity study groups

In June 1960, the CCP adopted a set of criteria for the establishment, supervision, suspension, and termination of FAO commodity study groups.²

¹Report of the FAO Committee on Constitutional and Legal Matters, Fifth Session, September/October 1961; FAO document C 61/28.

²Report of the Thirty-Third Session of the Committee on Commodity Problems, Rome, June 1960.

The criteria adopted by the Committee concern the following:

- the character of problems and scope for study and consultations;
- the benefits to FAO member countries,
- the prospects for active participation by members;
- the characteristics of the commodity;
- the fields of work;
- the insufficiency of existing machinery and facilities.

6. Terms of reference and main activities of existing FAO groups

A. CCP Consultative Sub-Committee on the Economic Aspects of Rice

Established in 1955, the Sub-Committee is the only intergovernmental forum for specialized consultations between exporting and importing countries on problems affecting the world rice economy. It acts as a clearing house for information on factors affecting world trade, and thus helps governments to appraise the current market situation and longer-term outlook, to formulate and co-ordinate national policies, and to avoid undue fluctuations in trade. Its terms of reference also call on it to pay equivalent attention to any special difficulties likely to arise in the world rice trade.

The Sub-Committee's present activities fall under five broad headings:

- (a) a detailed annual review of the world rice situation and short-term outlook for international markets;
- (b) studies on methods of reducing instability in trade;
- (c) study of the long-range prospects for rice production, consumption and trade¹;

¹In this connexion, it may be mentioned that a Joint Session of the Group of Grains and the Consultative Sub-Committee on the Economic Aspects of Rice was held in May 1964. The Joint Session discussed (i) the inter-relationships between grain and rice in international trade and (ii) the changes in world consumption patterns during the past fifteen years.

- (d) international effects of national and regional policies, including problems of access to markets;
- (e) means of facilitating the flow of trade, including problems of marketing, grading, quality inspection, storage, etc.

B. FAO Group on Grains

The FAO Group on Grains, set up in 1957, is the only intergovernmental body open to all interested governments for specialized consultations on the production, consumption, trade and utilization of all grains taken as a whole.

Its activities fall into four broad categories:

- (a) a detailed annual review of the world grain situation and short-term outlook;
- (b) the examination of trends in, and longer-term prospects for, production, consumption, stocks, prices and trade with particular reference to the causes of the persistent lack of balance between supplies and demand in international markets;
- (c) a continuing review of national grain policies, and their international effects, as a basis for the formulation and review by governments of their policies and for achieving better international co-ordination of grain policies;
- (d) problems of relationships between the different grains, and between grains and other commodities.¹ Recently, the Group has been devoting special attention to the question of the technical feasibility of international agreement on coarse grains.

Its terms of reference also include, among others, the promotion of improved quality, coverage, and timeliness of statistical services relating to grains, and the consideration of marketing problems.

C. FAO Cocoa Study Group

The terms of reference of the Group read as follows:

"The field of competence of the Group shall cover the study of the production and consumption of, or trade in, cocoa having regard especially to the desirability of providing continuous, accurate information regarding the supply and demand position, and its probable development. The Group shall consider, as appropriate, measures designed to promote a steady expansion of production and consumption

¹ See also footnote 1 of preceding page.

of cocoa, including any technical questions bearing on these issues. The Group shall, within its field of competence, consider how best to deal with any special difficulties which may exist, or may be expected to arise and may submit reports and/or recommendations on the subject".

Since its establishment in 1956, following an ad hoc meeting called by the United Nations, the Group has devoted much attention to the problems raised for producers and consumers by the major fluctuations in cocoa prices and examined various types of stabilization schemes. In this context, the Group was the body responsible for the preparation of the Draft International Cocoa Agreement, which constituted the basis for the Negotiating Conference called by the United Nations in the autumn of 1963.

Following the inconclusive ending of this Conference, the CCP agreed that informal consultations by the Secretariat with producing and consuming countries should be continued, with a view to determining if and when conditions were opportune for resuming formal negotiations. These consultations are currently under way.

The Group which is meanwhile continuing its regular activities, has the following standing committees:

Executive Committee: This Committee, open to members and observers of the Group, is responsible for carrying on major business between full sessions.

Statistical Committee: The Group's Statistics Committee prepares and issues estimates and forecasts of world production and grinding of cocoa beans, and has stimulated various efforts to improve statistical information on cocoa. The Committee on Consumption has reviewed impediments to expansion of consumption on cocoa products and has made recommendations to governments and international organizations to facilitate the expansion of consumption. A Working Party on Grading has examined legislation on grading regulations and practices, and prepared a Model Ordinance and a Code of Practices on Cocoa Grading; it has also initiated studies to improve grading practices.

D. FAO Group on Coconut and Coconut Products

Established in 1957, the Group is the only intergovernmental forum for specialized consultations between exporting and importing countries on problems affecting the world coconut economy¹, and for the exchange of views on ways of solving such difficulties as they arise. Its activities to date fall into the following fields: review of current situation and outlook, improvement of economic intelligence, quality and grading, study of the effects of national and regional policies, including problems of access to markets and studies of long-term trends.

As a result of the improvement and accumulation of basic statistics, and of the better understanding that has been achieved of the world coconut

¹See also the last line of Section 7 below.

economy, the Group has recently undertaken an examination of fluctuations in international trade in coconut products. It has also called for a number of other studies so as to be in a better position to assess the feasibility of some form of international commodity arrangement for copra and coconut oil.

E. FAO Group on Citrus Fruit

According to its terms of reference, the Group is required to study problems affecting the long-term equilibrium of production and consumption of citrus fruit and citrus products, the economic aspects of problems arising from the perishable nature of citrus fruit, and to deal with any specific difficulties which may arise in the citrus fruit market.

The Group was set up in 1959, and is the only intergovernmental forum for specialized consultations between exporting and importing countries on problems affecting the world citrus economy. Its activities fall into the following broad fields: review of the world citrus situation and short-term outlook; improvement of citrus statistics; study of economic trends in production and consumption; studies on particular economic problems and of the economic aspects of certain technical problems.

F. FAO Study Group on Jute, Kenaf and Allied Fibres

This Group, the most recent of the FAO Study Groups, was set up by the CCP at its thirty-sixth session in May 1963. It constitutes the only worldwide intergovernmental forum in which exporting and importing countries can consult together on the problems of the jute and kenaf markets.

The field of competence of the Group includes, inter alia: studies and provision of information on the short and long-term outlook for the world market; analysis of national policies and their international effects, and examination of the possibilities of adjusting these policies; studies on a series of other items, including costs of production, marketing practices, short-term price fluctuations, and the possibilities of expanding consumption and new uses of the relevant products.

In accordance with a decision of the first session of the Group, a Working Party on Stabilization met in early 1965. This Working Party recommended a novel form of commodity arrangement by which, following the approval of the Group, a consultative Committee would be set up to hold six-monthly meetings between government, trade and industry representatives, under which informal understandings as to appropriate production, pricing, marketing, and stocking policies could be reached, for implementation by the individual countries concerned.

G. CCP Consultative Sub-Committee on Surplus Disposal (CSD)

This Sub-Committee was established in 1954, with the following terms of reference:

- (1) to keep under review developments in the disposal of agricultural surpluses, and to assist FAO member nations in developing suitable means of surplus disposal;

- (2) to provide a forum for the discussion of proposals, programmes, policies or transactions of member governments for the disposal of agricultural surpluses in the light of the FAO Principles of Surplus Disposal; and to promote the observance of these principles.

In addition to maintaining a continuing broad review of both bilateral and multilateral disposals, the Sub-Committee has established itself as the forum to which countries may refer complaints concerning surplus utilization transactions. The existence of the Sub-Committee, and the procedures which it has evolved, have done much to ensure that, in line with the FAO Principles, a careful assessment is made by both the exporting and receiving countries of the effects of a transaction on world trade, including appropriate prior consultation with third party countries.

7. Other FAO commodity consultations

An ad hoc meeting on bananas, held in October-November 1964, has recommended to CCP the establishment of an FAO Study Group on that commodity. The recommendation will come before the CCP in June 1965.

The CCP has also convened intergovernmental meetings to examine and report on the question of setting up a study group on tea, and of extending the coverage of the existing Coconut and Coconut Products Group to other oil-seeds and oils. These meetings are to take place in May and June 1965 respectively.

8. The FAO Secretariat on commodities

In general, the FAO Secretariat undertakes studies, analyses, and advisory work, and supports intergovernmental consultation in the field of commodity problems, with a view to providing member governments with a more informed basis for the formulation of national agricultural commodity policies in the light of world and regional commodity trends and prospects. Its activities are also aimed at contributing to the understanding of international issues in the commodity field and thus help to pave the way for international action on commodity problems, and in particular in promoting world economic growth.

Work on individual commodities is conducted in eight commodity sections of the FAO Commodities Division. In the case of citrus fruit, cocoa, coconut products, grains, jute and allied fibres, and rice, for which as noted above intergovernmental commodity study groups have been established under the CCP, the activities largely take the form of servicing the groups with the studies and analyses required by them.

Work on hard fibres is proceeding according to the recommendations of an ad hoc meeting held in 1963. Analyses for other agricultural commodities (e.g. meat and poultry, dairy products, fats and oils, other agricultural raw materials, tea, tobacco, spices, fruit and vegetables) are undertaken by the secretariat in response to the expressed interest of governments and international agencies, and in the light of their importance in trade and development.

FAO's activities for those commodities for which there are commodity councils administering international agreements (wheat, coffee, sugar and olive oil), and international study groups (cotton, rubber and wool) are conducted in close association with the outside bodies, so as to complement their work to the fullest extent possible.

The following aspects are thus covered in the work on commodities, with varying degrees of emphasis for each commodity:

- (a) basic commodity intelligence (covering production, stocks, consumption, utilization, trade and prices);
- (b) analysis of factors affecting demand, supply and trade, with particular emphasis on their implication for the trade and development of developing countries;
- (c) study of trends in the utilization of certain commodities, with particular reference to their substitutability in the end product, and relationships between commodities;
- (d) study of national, regional and international policies; including problems of regional integration and trade between developing countries;
- (e) examination of possible measures for improving market stability and export earnings;
- (f) reviews of the current market situation and short-term outlook;
- (g) assessment and projection of longer-term trends, with special emphasis on trade and development problems;
- (h) extension of the above studies and analyses to commodities in processed form;
- (i) evaluation of the economic aspects of agricultural processing industries, particularly in developing countries;
- (j) study of competition from synthetic products and substitutes;
- (k) study of questions of standardization, grading and quality improvement of agricultural commodities;
- (l) in the case of commodities covered by FAO study groups, work is largely determined by the requests made by these groups, and includes, in addition to the topics listed above, the analysis of the feasibility of intergovernmental commodity agreements or arrangements, and assistance in the formulation of such draft agreements where appropriate.

Three major lines of work on commodities cut across the individual commodity fields, namely general commodity policy activities, commodity projections and current reports. The first two are organized in separate units, which provide general studies covering the whole commodity field. For these studies the units concerned draw upon the various commodity sections for individual commodity knowledge, and assist the commodity sections with methodology and an overall general approach. A third unit provides current reporting, utilizing the work of the commodity sections for the preparation of the annual Commodity Review, and preparing general reports required for FAO meetings and other purposes.