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STATEMENT BY THE FAO ON ITS ACTIVITIES IN THE FIELDS OF SURPLUS DISPOSAL

The following is a brief review of recent activities of the Food and Agriculture Organization of the United Nations in the field of surplus disposal. This is submitted for the information of delegates in considering Item 6 of the Agenda (Disposal of Surpluses). FAO's activities in this field can best be summarized under three main headings:

1. the principles to be observed by governments in the disposal of agricultural surpluses;
2. intergovernmental consultations; and
3. methods of surplus disposal in line with the FAO principles.

FAO Principles of Surplus Disposal

The last Session of the FAO Conference (November 1955) suggested that there should be an appraisal of the effects on world markets of surplus disposals on special terms, and the extent to which the FAO's Principles of Surplus Disposal have been observed. The FAO Principles were drawn up by the FAO Committee on Commodity Problems (CCP) in 1954 and have since been formally accepted by 38 member governments. They are based on the underlying principle that excess stocks should be disposed of in an orderly manner so as to avoid undue pressure on markets and harmful interference with normal patterns of production and international trade. In response to the Conference request, the Committee on Commodity Problems drew up a questionnaire to all FAO Member Governments requesting, as a beginning, details of transactions in surplus wheat and dairy products during the last two years (e.g. the special terms of purchase; the administrative procedures set up to ensure normal commercial imports are maintained; how far the surpluses are used to increase consumption, etc.). This questionnaire was dispatched in September 1956, and replies are to be appraised by the CCP's Subcommittee on Surplus Disposal.

CONSULTATIONS

The Committee on Commodity Problems gives special attention to surplus disposal questions at its periodic sessions. In addition, however, it decided that supplementary and continuous consultations on this major commodity problem were desirable. These therefore take place in the Consultative Sub-Committee on Surplus Disposal, set up by the CCP in 1954 and open to all interested member governments of FAO. The Sub-Committee, which holds monthly meetings in Washington, at present includes 27 member governments, with 33 governments and 7 international organizations represented by observers. It keeps under regular review developments in the field of surplus disposal, and provides a forum for the discussion of proposals, programs, policies or transactions of member governments for the disposal of agricultural surpluses in the light of the FAO Principles.

In this connection, the Sub-Committee examines both individual transactions and various types of programs. For example, the disposals in European markets of butter from the U.S. and Canadian Governments' stocks early this year were discussed in considerable detail. The possible effects of the current U.S. export program for Upland cotton was also raised in the Sub-Committee. It is at present discussing the recently concluded surplus disposal agreement between India and the United States under U.S. Public Law 480, details of which were reported by the Indian Delegate.

The operation of various types of transaction have been examined. The Sub-Committee is presently reviewing triangular trade schemes involving the sale of agricultural surpluses to an industrial country, with payment through the shipment of manufactured goods to a third country. In answering questions raised, the U.S. representative has given a detailed account of the way in which the United States Government carries out triangular trade arrangements under Section 402 of Public Law 665.

Methods of Surplus Disposal

The Committee on Commodity Problems and its Sub-Committee on Surplus Disposal have given special attention to developing ways and means of disposing of agricultural surpluses in line with the FAO Principles. At the CCP's request, for example, the FAO Secretariat conducted a pilot study in India in 1955 on ways in which imported surpluses could be used to meet part of the cost of development projects in underdeveloped countries. It was found that this use, if carefully planned and carried out with proper safeguards, could raise consumption and income by speeding development without disturbing normal commercial trade. This use was endorsed by the last FAO Conference, and the recent U.S.-India surplus disposal agreement envisages the use of a large part of the surpluses to promote economic development.

Recognizing that the long-term solution lay in increasing consumption, the CCP has sponsored FAO dairy surveys in underdeveloped countries to find out how far consumption could be increased. Following such a survey, a carefully planned scheme has recently begun under the auspices of FAO whereby five exporting countries are supplying technical assistance and surplus dried skim milk on special terms to build up consumption in Calcutta. This scheme is being coordinated by the CCP's Sub-Committee on Surplus Disposal, one of the objectives of which is to help develop suitable means of surplus disposal in line with the FAO Principles. A similar plan for Pakistan is being considered.

Under this heading the Washington Sub-Committee has carried out special studies through a series of ad hoc working parties. A recent ad hoc working party of the Sub-Committee has been studying how national food reserves for use against crop failure and other emergencies, could be built up from imported surpluses without disturbing the normal patterns of trade and production. Another working party earlier this year studied the practical aspects of proposals presented by the Argentine Government on the stabilization of world markets. Earlier working parties of the Sub-Committee had reported on the ways in which the surpluses of butter could be reduced in an orderly manner, and on international action to reduce surpluses of dried skim milk. In both cases the over-riding importance of increasing consumption was emphasized.