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DISPOSAL OF COMMODITY SURPLUSES

Activities of the Food and Agriculture Organization

(Note by the GATT secretariat)

1. The following note on the activities of the Food and Agriculture Organization of the United Nations is submitted for the information of contracting parties in connexion with the item "Disposal of Commodity Surpluses" on the agenda for the seventeenth session of the CONTRACTING PARTIES.

2. During the past twelve months the most important activities of the FAO in this field have been the following:

- (a) Completion of the review of the FAO Principles of Surplus Disposal;
- (b) Inter-governmental consultations to ensure the observance of the FAO Principles;
- (c) Ways and means of reducing existing surpluses;
- (d) Study of the causes of surpluses.

Operation and Adequacy of FAO Principles of Surplus Disposal

3. The FAO "Principles of Surplus Disposal and Guiding Lines for dealing with Agricultural Surpluses", which were originally drawn up in 1954, are based on the underlying consideration that surplus stocks should be disposed of in an orderly manner so as to avoid disturbances in world markets and harmful interference with the normal pattern of production and international trade.

4. In October/November 1959, the Tenth FAO Conference considered the report of the Committee on Commodity Problems (CCP) on the review of the operation and adequacy of the Principles which had been undertaken in 1958 and 1959 by the Committee through its Consultative Sub-Committee on Surplus Disposal in Washington. This report combined two separate reports which had been submitted to the CCP by the Consultative Sub-Committee. One of these reviewed the effectiveness of the

consultative machinery and procedures which the Sub-Committee had established and used during the years of its operation. The other reviewed the adequacy of the Principles themselves. The main conclusions reached in these two reports were circulated to contracting parties in documents L/874 and L/1042 in advance of the discussion of the agenda item "Disposal of Commodity Surpluses" at the CONTRACTING PARTIES' thirteenth and fifteenth sessions respectively.

5. Following discussion, the Tenth FAO Conference decided not to amend the Principles. It was agreed, however, that the Director-General should be requested:

- (a) to invite Member Nations which had not already done so to signify their agreement to adhere to the FAO Principles and to take the Guiding Lines into account;
- (b) to establish procedures by which countries joining the organization would have their attention drawn to the relevant section of the report of the Tenth Conference and be invited to adhere to the FAO Principles of Surplus Disposal and to take the Guiding Lines into account.

Up to the present time forty-four countries have formally accepted the Principles.

Inter-governmental Consultation

5. At the present time the Consultative Sub-Committee on Surplus Disposal of the Committee on Commodity Problems includes twenty-eight Member countries, thirty observer countries and seven observer organizations. The tenth report of the Sub-Committee (CCP 60/13) was considered by the CCP at its thirty-third session in June 1960.

7.1 During the past year, the Sub-Committee has continued to be a forum for the discussion of governments' proposals, programmes, policies and transactions relating to the disposal of surpluses. Important among these have been the discussions on the United States' surplus disposal policies, legislation and programmes and consultations on transactions under Public Law 480 agreements. Consultations have also taken place with countries disposing of surpluses, other than the United States.

8. The Sub-Committee, in addition to examining current problems of surplus disposal, has paid special attention to policy developments. It has also been investigating the use of local currencies derived from surplus disposal operations and will in due course submit the results of this work to the CCP for further consideration.

9. Among subsidiary bodies established by the Sub-Committee have been an ad hoc group to assess the prospects for the availability of dried skim milk, which completed its task early in 1960 and an ad hoc Working Group on barter.

10. Following a proposal made by the Canadian delegation the CCP, at its thirty-third session in June 1960, asked the Sub-Committee to consider, with the help of background information which would be provided by the FAO secretariat, whether there was need for further arrangements to improve international machinery for clearing information on stocks and disposal programmes and on current and future requirements. The Sub-Committee has been requested to submit a report to the thirty-fourth session of the CCP in 1961.

The Reduction of Existing Surpluses

11. The FAO has continued to give attention to the development of methods for disposing of agricultural surpluses in line with the FAO Principles. It is, for example, giving consideration to the question of national food reserves and, at its Tenth Conference, suggestions were put forward inter alia for arrangements designed to facilitate the establishment of reserves and the co-ordination of surplus disposal operations for this and related purposes. At the thirty-third session of the CCP in June 1960, the representatives of India, Japan and Pakistan informed the Committee of their governments' plans for the establishment of such reserves.

12. The FAO has continued to participate in the work of the Wheat Utilization Committee. It was represented by an observer/adviser on a Mission sent by the Committee to three countries in the Far East to investigate and make recommendations on the possibilities of increasing the use of wheat. The terms of reference of the Mission included the study of the extent to which wheat could be utilized as an aid to economic development programmes and the extent to which promotional and market development projects might increase commercial outlets for wheat. The report of the Mission was considered by the Wheat Utilization Committee in July 1960.

Causes of Surpluses

13. The consideration given by the FAO to national agricultural policies is relevant to the question of surpluses. At its Tenth Conference, the FAO endorsed the emphasis placed by the CCP on the need for an adjustment of these policies in such a way as to promote a better balance between supply and demand in international markets. In the report on the CCP's thirty-third session (CCP 60/25, pages 5-6) are set out certain considerations to be borne in mind in the Committee's future work in this field.

14. A report by a Panel of Experts on Price Stabilization and Support Policies was discussed by the Tenth FAO Conference. The report sets out Guiding Principles to be taken into account by governments in establishing or reviewing their agricultural policies and, in some of the Principles, reference is made to the need to avoid the accumulation of burdensome surpluses. The Panel expressed the view that no special machinery should be set up in FAO for confrontation of agricultural price stabilization and support policies, but that new development in regard to these policies should be kept under review by FAO. After discussion by the Conference, it was decided that the Principles

should be further revised by the CCP in the light of the discussion which had taken place at the Conference and that the CCP should also undertake periodically the review recommended by the Panel.

15. At its thirty-third session in June 1960 the CCP prepared a revised draft of the Principles (attached as Annex A to the report on the session (CCP 60/25)), and this has been forwarded to governments for comment. The draft will be reconsidered by the CCP at its thirty-fourth session, in the light of comments received from governments, after which a final draft will be submitted to the Eleventh FAO Conference in 1961. At its thirty-third session the CCP also considered the first of the periodic reviews proposed by the Tenth Conference and made recommendations on further studies to be undertaken in this field.