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THE IMPACT OF COMMODITY PROBLEMS UPON INTERNATIONAL TRADE

Note by the Secretariat

1. At the twenty-fourth session the CONTRACTING PARTIES agreed to retain on the agenda for the twenty-fifth session the item entitled "Impact of Commodity Problems upon International Trade".
2. As background documentation for the discussion of these problems reference may be made, as in the past, to the GATT report International Trade 1967, the FAO Commodity Review 1967 and the UNCTAD Commodity Survey 1968 (UNCTAD document TD/B/C.1/50). A copy of these publications will be made available to delegations in the course of the twenty-fifth session.
3. The present note is roughly along the same lines as the paper prepared for the twenty-fourth session. Although it is of a descriptive nature it attempts to focus attention on the most recent developments in international trade in respect of certain commodity sectors, which it would seem, would deserve the attention of the CONTRACTING PARTIES. It also describes recent activities in the field of international co-operation in international bodies outside the GATT.
4. The individual groups of products singled out are:
 - I Temperate agricultural products
 - II Tropical products
 - III Certain raw materials and non-ferrous metals.

I. Recent Developments in Problems Connected with Certain
Temperate Agricultural Products and Their Impact upon
International Trade

A. Evolution in production and production policies

Grains

World production of wheat which reached a record level in 1966/67 (280 million tons, excluding Mainland China), declined somewhat in 1967/68, mainly due to some decrease in production in the USSR. For the year 1968/69 the available estimates indicate that a new all-time record may be anticipated, probably some 3 per cent over the preceding record in 1966/67.

As regards coarse grains, total world production continued its upward trend in 1966/67 and again in 1967/68. Both barley and maize registered a record world crop. For 1968/69 another good crop may be expected.

In the European Economic Community the marketing year 1967/68 was the first year under the common price system for grains. As from 1 July 1968 the common prices for coarse grains have been somewhat adjusted in relation to wheat prices, so as to stimulate production of coarse grains, in particular maize. For soft wheat the total area under crop went somewhat down in 1967, as compared with the two preceding years, but high yields resulted in a record crop. For 1968/69 because of an increase in acreage and roughly the same yield, a new very high wheat production is expected.

In the United Kingdom, in order to meet the growth in demand, production particularly of wheat is promoted. For the year 1968 the guaranteed price for wheat has been increased from 25s. 11d. per cwt. for 1967 to 27s. 5d. per cwt., while the standard quantity has been abolished. The standard quantity arrangement for barley was retained, but for 1968/69 the standard quantity has been increased by 750,000 long tons. Guaranteed prices of barley and oats have been increased by 5d. per cwt. Because of an increase in total acreage, whereby wheat and oats greatly offset a reduction in the barley acreage, total grains production in 1967/68 is estimated at more than 14.5 million tons, the highest ever recorded.

Following important relaxations in the wheat acreage allotment, wheat production in the United States reached a record level in 1967/68 of 42.3 million tons, which is about 6.5 million tons above the preceding year. In spite of a 13 per cent reduction in the wheat acreage allotment, indications are that the wheat production for 1968/69 may even be somewhat higher than the preceding record. For the 1969 crop wheat acreage allotment will again be reduced by 13 per cent to 51.6 million acres. Coarse grain production in the United States was substantially the same in 1967/68 as compared with 1966/67, except for maize production which was nearly 15 per cent higher than in the preceding year (120,000 tons as compared with 105,000 tons).

Dairy products

For 1968, milk production was expected to exceed the level of the previous year in most regions. The high rate of growth in milk production in Western Europe was mainly due to increased production within the European Economic Community and in the United Kingdom, while there were only minor changes in other countries. For Eastern Europe, including the USSR, the strong expansion in the milk production continued for the third consecutive year. During the first half of 1968, milk production was slightly inferior to that of the corresponding period of the preceding year both in North America and in Oceania, but was expected to recover somewhat throughout the rest of the year.

The high rate of growth in production of milk resulted in a strong accumulation of stocks, notably of butter and skim milk powder. At the beginning of September 1968, ten Western European countries kept 497,000 tons of butter in stock, which meant an increase of 130,000 tons or 26 per cent as compared with twelve months earlier. Though the accumulation of butter stocks was less pronounced for other regions, it was nevertheless significant (e.g. 10 per cent in the United States).

Skim milk powder stocks also increased. In September 1968, about 200,000 tons of skim milk powder were held in public stocks or producers' stocks in the European Economic Community in addition to large stocks held by traders and processors. At the same time, about 260,000 tons of skim milk powder was kept in stock in North America, against 172,000 tons one year earlier.

In the European Economic Community the common market for dairy products entered into force at the end of July 1968. Arrangements for the liquid milk market are expected to be adopted in the spring of 1969, and applied by some later date. The 1968/69 common target price for milk was fixed at \$10.30 per 100 kgs. (delivered dairy), and intervention prices were agreed upon for butter, skim milk powder and for specific types of Italian cheeses. The intervention price for butter is \$173.50 per 100 kgs. with an addition of \$2.75 per 100 kgs. in Belgium, France and Luxemburg, and with a deduction of \$6.00 per 100 kgs. in the Federal Republic of Germany. For skim milk powder, an intervention price of \$41.25 per 100 kgs. was agreed upon, with an addition of \$2.75 per 100 kgs. in Belgium, France and Luxemburg.

Within the Community, butter stocks continued to grow in 1968, and were at the beginning of September estimated to have reached 355,000 tons (disregarding butter stocks in Italy) against 256,000 tons one year earlier. A provisional limit of \$630 million was set for expenditure out of the common agriculture fund, on the dairy policy in the 1968/69 season. In addition, member countries will themselves carry the financial burden of butter stocks accumulated before April 1968, which have been estimated at \$170 million. However, \$800 million should not be considered a final total of the costs of the dairy policy in 1968/69, as notably the expenditures on export refunds are considered likely to exceed significantly the original estimates made.

In the United Kingdom, the average guaranteed price for milk was raised by 3 per cent from 1967/68 to 1968/69 when it reached 3s. 8.86d. per gallon (\$9.87 per 100 kgs.). Simultaneously, the provisional standard quantity was raised by 0.2 per cent to 2,186.4 million gallons (9,939 million litres).

In the United States, removals of dairy products from the market through price support purchase totalled 6.2 per cent of total marketings in 1967/68, and were more than two and a half times those made in the preceding season. This development came about in spite of a slight decline in milk production, and was mainly caused by a fall in consumption of liquid milk. The support price for manufacturing milk of average fat content was raised from \$4.00 per 100 lb. in 1967/68 to \$4.28 per 100 lb. (\$9.44 per 100 kgs.) in 1968/69. There was no corresponding change in support prices for butter, but the new manufacturing milk price was reflected in higher support prices for skim milk powder and cheese, which were raised by 17.9 and 7.4 per cent, respectively.

Beef and veal

For both Western Europe and North America the total number of cattle hardly changed from 1967 to 1968. A slight increase for the European Economic Community was outweighed by a decline in other countries of the region. According to vaccination statistics, in Argentina, cattle numbers were 1 per cent lower in 1968 than in the previous year, but there may at the same time have been some increase in other South American countries, notably Uruguay. In Oceania, cattle numbers reached new record levels in 1968 with a 6 per cent increase from 1967 in New Zealand and a further recovery in the Australian herd which had been reduced by drought in 1966. During the first half of 1968 the previous strong upward trend in the Western European production of beef tended to level off. Veal production continued to increase, notably in the European Economic Community and Denmark, but declined in other Western European countries. In North America beef and veal production showed a further expansion of 2 to 3 per cent while in South America, cattle slaughterings declined, mainly a result of a 12 per cent fall in slaughterings in Argentina. Beef production increased by 30 per cent and 2 per cent respectively in New Zealand and Australia, while calf slaughterings declined for the third successive year in Australia and were inferior to those of the previous season by one third in New Zealand.

In July 1968, a common market was completed for beef and veal in the European Economic Community. The market regulations consist of a price arrangement and regulations of the trade with third countries. An annual guide price for the next season (April/March) shall be fixed before 1 August every year. For 1968/69 the guide price has been fixed at \$68 per 100 kgs. (live weight) for beef and \$91.50 per 100 kgs. (live weight) for veal. Intervention measures such as storage, support and intervention purchases can be applied in order to avoid important price declines. Intervention purchases may be made when the average market price is less than 98 per cent of the guide price, and is less than 93 per cent of the latter in at least one region of the Community, but when the

average Community market price is less than 93 per cent of the guide price intervention purchases will become compulsory. In the autumn 1968, such intervention purchases of beef had to be made both in France and in the Federal Republic of Germany.

In the United Kingdom the Government wanted to ensure that the beef cattle industry had sufficient resources to confirm the expansion of the domestic beef production, for which increased costs had reduced the scope for a rapid increase in productivity. From 1967/68 to 1968/69 the hill cow subsidy and the beef cow subsidy were increased. Simultaneously, the guaranteed price for fat cattle was raised by 11 shillings per cwt. to a total of 200 shillings per live cwt. (\$47.20 per 100 kgs. live weight).

Fresh fruit

World production of oranges, mandarines and clementines showed a marked decline in 1967, while production of other citrus fruit stayed at the level of the preceding year. Certain countries, however, registered a record harvest, in particular Israel and Italy. In Italy this situation has led to intervention purchases in 1968.

A very large apple crop in the Federal Republic of Germany and France in the autumn of 1967 has led to a crisis situation in the EEC; several intervention purchases were made on that market in 1968, covering important quantities, in particular in France and Italy, in spite of the fact that in Italy production had decreased. It is expected that the autumn 1968 harvest in the Federal Republic of Germany will be considerably lower than last year's crop; in France on the other hand, production will continue to increase.

B. Evolution of trade

(a) The volume of trade

Grains

Largely as a result of reduced requirements in the USSR, which from a net importer became again a net exporter, the volume of wheat trade in 1966/67 decreased to 56 million tons, some 6 million tons below the record level of the preceding year. For 1967/68, because of good crops in most of the importing countries, the volume of wheat trade decreased further to an estimated 51 million tons. For 1968/69 wheat supply will again be abundant so that the trade volume will probably be of the same magnitude as in 1967/68.

World trade in coarse grains reached a record level in 1966/67 of 43 million tons, mainly because of increased imports in Japan and in developing countries, which more than offset a reduction in Western European imports. For 1967/68 the volume of trade in coarse grains is likely to go down, but may increase again somewhat in 1968/69.

Dairy products

From 1966 to 1967, the volume of dairy products entering international trade was estimated to have increased by more than 10 per cent. This was primarily due to larger trade with butter and skim milk powder. Increased butter exports from member countries of the European Economic Community, Oceania and the USSR more than outweighed the decline in supplies coming from other sources.

The supplies of skim milk powder from Oceania rose sharply. Exports from member countries of the European Economic Community continued to expand though the rate of expansion was lower than previously. The growth in imports of dairy products into Japan continued in 1967. In 1967, total exchanges between principal trading countries were estimated to have reached 710,000 tons in the case of butter and 830,000 tons in the case of skim milk powder. The trade in whole milk powder showed a good recovery from the previous year, but did not attain the level of 1965. There was a slight expansion in the trade in cheese and in that with condensed and evaporated milk.

In the first half of 1968, British butter imports were inferior to those of the first half of 1967 by almost 7 per cent, partly because of lower import quotas and partly because of reduced supplies coming from Oceania. At the same time, France and the Netherlands increased their butter exports, to a great extent by developing new outlets in Africa, Asia and South America.

Beef and veal

The world trade in beef and veal which had increased by 3-4 per cent from 1966 to 1967, continued to expand in 1968. In the first half of 1968, net imports of beef and veal into member countries of the European Economic Community were reduced by one third compared with the first half of 1967. Imports of beef and veal into the Federal Republic of Germany from third countries reached only half of their level in the first six months of 1967. However, the decline in meat imports was partly compensated for by some increase in imports of live cattle and calves from Austria and Denmark. Italian imports of bovine meat during the first half of 1968 were inferior to those of the first half of 1967 by 11 per cent, mainly because of lower beef supplies from Argentina. However, this decline was more than compensated for by larger imports of animals for slaughter, notably from the Federal Republic of Germany and France.

United Kingdom imports of beef and veal, in the first six months of 1968, were slightly less than 110,000 tons, and were thus inferior to those of the corresponding period of 1967 by 19 per cent. The reduced level of

imports reflected the curtailment of chilled beef imports from Argentina, which had been prohibited up to 15 April 1968 for veterinary reasons. Supplies from Ireland continued to increase in 1968, and those from Australia and Uruguay showed a good recovery from their low levels in the preceding year. The reduced supplies from abroad were only partly compensated for by increased domestic production and by reduction of stocks, and the total consumption of beef and veal was estimated to have been 1 to 2 per cent lower in 1968 than in 1967.

For the first half of 1968, United States imports of bovine meat reached 227,000 tons, which was 20 per cent more than had been imported in the corresponding period of 1967. Increased supplies came from all major exporting countries except Ireland. Imports of live cattle and calves from Canada and Mexico reached 470,000 heads for the first five months of 1968, which was roughly one and a half times the number imported in January-May 1967. According to existing import regulations, a maximum of 474,000 tons of beef and veal could be imported in 1968, before import quotas would become operative. As this limit was expected to be reached, Australia and New Zealand suspended temporarily their sales of bovine meat to the United States from the end of September 1968 in an attempt to avoid the introduction of import quotas for their exports to this market.

During the first half of 1968, beef exports from Argentina amounted to 102,000 tons, less than half of their level in the corresponding period of 1967. Apart from the low exports to the United Kingdom, sales to member countries of the European Economic Community dropped markedly, and deliveries to Spain showed a downward tendency as well in spite of the agreement recently concluded concerning sales to that country. Reduced export outlets affected cattle sales in Argentina which fell by 12 per cent compared with the first half of 1967. There was an increase in the number of cows and calves on offer whereas offers of all other categories of cattle fell.

Fresh fruit

Total world trade in fresh fruit slowed down somewhat in 1967 in comparison with 1966. Trade in bananas increased by only 2 per cent in 1967, after having grown by 10 per cent in the two preceding years. There was some stagnation in purchases both in Northern America and in Western Europe. While the Scandinavian countries and Yugoslavia expanded their imports, the United Kingdom and France imported less, partly, it seems, because of insufficient availabilities from their traditional suppliers. In Japan banana imports went up by approximately 16 per cent, which means at roughly the same rate as in preceding years.

After an abundant crop in the autumn of 1966 exports of citrus fruit from the United States increased in 1967, in spite of an unfavourable harvest by the end of that year. There was also an increase in deliveries of oranges from Israel, Italy and Morocco. Exports from Spain and Algeria, on the other hand, declined appreciably. The EEC reduced its imports of oranges, clementines and mandarines by 6 per cent, but increased imports of the other citrus fruits by 13 per cent. Purchases by the United Kingdom did not change much as compared with the year before, while purchases by the Eastern European countries continued to increase rapidly.

Imports of apples in 1967 showed an appreciable decline in the Federal Republic of Germany. This was, however, greatly offset by increased purchases by the Benelux countries and the United Kingdom. In the case of the United Kingdom an increase in the quota for countries outside the sterling area allowed for an appreciable increase in imports from France. Among the exporting countries, France and Argentina increased their deliveries, while a reduction is recorded for Italy, Northern America and Oceania.

(b) The trading system

Grains

The International Grains Arrangement 1967, which was negotiated in Rome in August last year after the conclusion of the Kennedy Round, entered into force on 1 July 1968. The Arrangement succeeds to the International Wheat Agreement, 1962, which in its administrative provisions was extended by Protocol but was terminated forthwith upon the entry into force of the Arrangement. The new Arrangement consists of a Wheat Trade Convention and of a Food Aid Convention.

In the United Kingdom a new schedule of cereals minimum import prices came into effect on 1 August 1968. The new prices constitute an increase of about 12 per cent for wheat and of about 9 per cent for coarse grains, but there is a net decrease in comparison with the levels before the devaluation.

Dairy products

The common market regulations of dairy producers of the European Economic Community contain provisions for the trade with third countries. Threshold prices are established for the principal dairy products and the difference between the threshold prices and the so-called free-at-frontier prices is offset by the imposition of import levies. In the case of exports export refunds are granted. For butter, for example, the common threshold price for the year 1968/69 has been fixed at \$191.25 per 100 kgs., and for skim milk powder at \$54.00 per 100 kgs.

The amount of the export refunds is fixed for a period of four weeks, but has in practice not changed since the entry into effect of the new regulation. The export refund for butter, for example, has been fixed for exports to the United Kingdom at \$106.50 per 100 kgs., and for exports to other countries at \$130 or \$133 per 100 kgs., depending on destination. For Argentina a special export refund has been set at \$139.50 per 100 kgs. of butter.

For 1968/69 the United Kingdom import quota for butter was reduced to less than 470,000 tons and was thus 1.7 per cent lower than the quota for 1967/68. Furthermore, a global quota for imports of near butters (substances containing 50 per cent or more of butterfat) was established at 9,144 tons. The high imports in 1967, of such products, which were previously subject to Open General Licence, had threatened the objectives of the butter quota scheme.

In July 1967, the United States introduced quota restrictions for Cheddar and other American-type cheeses and certain other dairy products. The quota for these types of cheeses was set at approximately 7,260 metric tons. United States imports of dairy products were further restricted in 1968, when imports in the latter half of the year of condensed and evaporated milk were brought under quota. Annual import quotas for condensed and evaporated milk have been fixed to 1,850 metric tons and 595 metric tons respectively. In September 1968, an emergency proclamation restricted imports of certain types of cheeses and substitutes for cheese, which so far were not under restriction.

Beef and veal

The common market regulations for beef and veal of the European Economic Community, as mentioned above, contain regulations of the trade with third countries. The system adopted in 1968 is similar to that in the transitional arrangements, with certain modifications to the import levy system and certain measures to facilitate imports of frozen beef for processing and imports of calves for fattening. Protection against imports from third countries will continue to be based on a combination of customs duties and levies. There will be import levies on beef and veal as long as the representative internal market quotation is inferior to 106 per cent of the guide price. Import prices for each product are calculated on the basis of quotations in representative external markets and the levy will in principle equal the difference between the guide price and the import price (including customs duty), but when the internal market quotation is between 100 and 106 per cent of the guide price, the levy will be reduced by 25 per cent to 75 per cent. Since the introduction of the common market regulations there has been full levy (100 per cent) on beef, while for veal the import levy has been suspended most of the time. Frozen beef intended for processing will benefit from total or partial

suspension of the levy for annual quotas fixed according to import needs. Apart from these quotas frozen beef may be imported levy free if the buyer simultaneously purchases a quantity of frozen beef which has been stored as a result of market intervention. Male calves of 220 to 300 kgs. for fattening will be exempted from import levy when the internal market price is higher than the guide price.

Argentina has made bilateral agreements with Spain for sales of 19,200 tons chilled meat and 40,800 tons frozen meat, and with Chile for supplies of cattle and beef in order to solve seasonal supply problems in the Chilean domestic market.

In the United States the Meat Inspection Act was amended and extended at the end of 1967. Requirements which apply to imported meat are more specifically stated, and the law prohibits imports of meat products if they are adulterated or misbranded and unless they comply with regulations applicable to such articles in commerce within the United States.

(c) Prices

Grains

World market prices of wheat were firm in 1966/67, but tended to decline when it became evident that the 1967/68 production would again be very good. Increased competition between suppliers further weakened international wheat prices in 1967/68, even to the extent that in the period preceding the entry into effect of the new minimum price scheme of the International Grains Arrangement sales were made at a level below the new minimum. Since 1 July 1968 the principal exporting countries reaffirmed their intention to abide by the new minimum price rules and after the first three months the operation of these rules has been found satisfactory. Now abundant supplies, however, may require close international co-operation in the Prices Review Committee of the International Wheat Council to maintain the new price scheme.

As regards world market prices for coarse grains the year 1967/68 showed an appreciable decline in maize prices following the exceptional crop in the United States. Barley prices also declined somewhat, but prices for sorghum tended to remain stable.

Dairy products

In the United Kingdom, the quotations for butter from main suppliers, except for Denmark, remained unchanged throughout 1967, and did not change because of the devaluation of the pound sterling in November of that year. The price of Danish butter was raised by 4 per cent in May 1967, but was lowered again one year later by 8.6 per cent, in order to encourage demand.

Prices of butter from other traditional suppliers remained unchanged also in 1968, and, for instance, the quotation for New Zealand butter (first grade) has remained unchanged at 300 shillings per cwt., since March 1966. Quotations for blending butter, however, reflected to some extent the pressure of mounting stocks, as well as competition from cheap mixtures incorporating butter oil. The free-at-frontier price for butter imported into the European Economic Community from third countries fell to \$45 per 100 kgs. in the summer 1967, and remained at this level until the summer 1968, when it declined further.

In North America butter prices in 1967 reflected the higher supports granted since 1966 to encourage production, but during the early part of 1968 butter prices remained steady. In New Zealand, removal of the consumer subsidy in February 1967 brought an upward adjustment of 44 per cent in the wholesale price level for butter, but there were no further changes since then.

Wholesale prices for skim milk powder remained stable in most major markets during 1967. The stability of the market did not persist and in July 1968 the free-at-frontier price for imports into the European Economic Community from third countries fell below \$15 per 100 kgs., i.e. less than half of its level one year earlier. In the United Kingdom market, the quotations for skim milk powder showed a similar declining trend during the first half of 1968, and were in August 65 shillings per cwt. (\$15.25 per 100 kgs.) compared with 115 shillings per cwt. one year earlier.

Beef and veal

The beef market was relatively firm during the first half of 1968, with prices showing a tendency to increase. The temporary ban on British imports of beef from certain sources resulted in relatively high quotations during the early part of the year, in the United Kingdom, Ireland and Australia, but also Argentinian quotations recovered slightly from their low levels in 1967. Throughout the summer 1968, however, the beef market weakened somewhat. In the European Economic Community, the average market price for beef fell more than 7 per cent below the guide price, and the situation necessitated intervention purchases to be made in the autumn. In October 1968, beef imports were subject to full levy (100 per cent) which exceeded \$24 per 100 kgs. live weight, (or 35 per cent of the guide price). The free-at-frontier price had at the same time fallen to \$38 per 100 kgs. live weight. Veal prices remained steady, with internal market prices 15 per cent above the guide price, and the free-at-frontier price being at the same level as one year earlier.

Fresh fruit

For the majority of fruit traded internationally prices did not change considerably in 1967 as compared with 1966. For bananas there was a slight increase in prices in the order of 1-3 per cent depending on origin. Prices of citrus fruit on the importing markets showed no significant variations in comparison with the preceding year. Apple prices started to decrease in the last two months of 1967, particularly in Germany and stayed low during the first half of this year.

II. Recent Developments in Problems Connected with
Certain Tropical Products, and Their Impact on
International Trade

A. Developments in production and trade policies

(a) Production

Cocoa

World production of cocoa in 1967/68 is estimated to have declined by about 3 per cent from 1.35 million tons in 1966/67 to 1.30 million tons. Although Ghana, the biggest cocoa producer, recovered its previous year's loss in production, the other major producers like Nigeria, Ivory Coast and Brazil showed substantial falls in their levels of cocoa production. Heavy rains in the main cocoa-growing areas of West Africa during the past few months are expected further to affect the size of the new crop.

World grindings of cocoa beans rose again a little in 1967 and 1968, but the rate of growth of cocoa consumption is generally slowing down. Grindings increased in Canada and the United States during 1968, while all the major consuming markets of Western Europe experienced a fall in their grindings. In line with recent trends, grindings continue to increase in the main cocoa-producing countries which now again have almost one fifth of the world total.

Over the past few years there has been an excess of consumption over production. This situation has been mainly met by a drawing down of stocks.

Taking advantage of the firm market situation and higher export prices, the producer prices for cocoa were raised in Ghana from £84 18s. 6d. per long ton in 1966/67 to £106 11s. 8d. per long ton in 1967/68, in Nigeria from £90 0s. 0d. to £95 0s. 0d. per long ton, in Togo from CFAF 55 per kg. to CFAF 70 per kg., and in Gabon from CFAF 65 per kg. to CFAF 75 per kg. The producer price in Cameroon was increased by CFAF 5 per kg. to CFAF 70 per kg. (£180 per metric ton for Grade I beans in the new season) and in the Ivory Coast from CFAF 59 in 1966 to CFAF 70 in 1967. In Cameroon and Ivory Coast the stabilization funds also undertook to pay the costs of transport of cocoa from the buying station to the port of shipment. A similar measure was taken by Nigeria Marketing Board for the Western region.

Coffee

World production of coffee has been marked by wide annual fluctuations, especially in 1964/65 and 1965/66, when the smallest crop in a decade was followed by an all-time record harvest. The last two crops, those of 1966/67 and 1967/68 have been more in line with the average annual production

over the last decade, which has averaged from 60 to 65 million bags (60 kgs.). The level of world production very largely reflects output in Brazil where seasons of low output caused mainly by unfavourable climatic conditions have alternated with bumper crops.

World output of coffee at 65.6 million bags in 1967/68 was 15 per cent higher than in 1966/67, but about 23 per cent lower compared with the all-time record crop of 80.8 million bags in 1965/66. Much of the recovery in output has been in Brazil, where production in 1967/68 amounted to 23.5 million bags (over one third of world total), compared to 17.6 million bags in 1966/67. Despite unfavourable weather conditions Colombian production was slightly higher than in 1966/67, as also was the case in many other Central American countries. In spite of the damage caused by drought in 1966, production of coffee during 1967/68 was higher than in the previous year both in Cameroon and Ivory Coast.

Preliminary estimates for 1968/69 indicate world coffee production at 60.6 million bags, which is about 7 per cent below that of 1967/68. World import requirements will for the third year in succession be below exportable production. The balance will be made up by drawing on the enormous stocks which are being held by producing countries.

Sugar

World output of centrifugal sugar is estimated to have increased by just over 2 per cent to a level of 66.25 million tons in 1967/68. In line with past trends the production of beet sugar maintained its uptrend. At 30 million tons in 1967/68, it was about 8 per cent more than in the preceding year, and was nearly 45 per cent of the total sugar production. In spite of the poor French crop the beet sugar output in the European Economic Community totalled about 6.7 million tons against 6.06 million tons in 1966/67. In the United States beet sugar output declined, but that of cane sugar expanded. Beet sugar was similarly higher in the USSR and Poland.

The output of cane sugar, on the other hand, appears to be about 2 per cent lower in 1967/68 compared with the level in 1966/67. While Cuban output suffered a setback due to a drought, production was restrained by Mexico, Brazil and Argentina who still had large stocks at the beginning of 1967. Production maintained its expansion in Africa and in several of the Asian countries. Brazilian production is estimated to be the same as in 1966/67, at 2.37 million tons.

The long-term tendency towards self-sufficiency in developed countries is confirmed by the increasing percentage of the sugar requirements that is being met out of domestic production. Notwithstanding the steep fall in free market prices since 1963, some of the developed countries like Australia and South Africa have continued to increase their exportable surpluses over the last few years.

Oilseeds and vegetable oils

World production of vegetable oils and oilseeds in 1967 was practically at the same level as the year before. However, the tendency of past years of increases in production of temperate-zone oilseeds and a decrease in respect of tropical oilseeds continued. Soyabean production increased by 7 per cent, especially as a result of good crops in the United States, and production of sunflowerseed went up by 16 per cent, particularly in the USSR. The 3 per cent rise in groundnut production did not compensate for the decline in production of palm kernels and palm oil, especially in Nigeria, and of copra, in particular in the Philippines.

Preliminary figures for 1967/68 show further growth in production, but at a lower rate, of soyabeans and sunflowerseed and an increase of more than 10 per cent in rapeseed production, especially in Western Europe. Groundnut production shows further expansion, an important decline in Nigeria being more than offset by a growth in production in India.

Forecasts for 1968/69 seem to suggest a further increase of total supplies of vegetable oils, mainly soya and cottonseed oil. Because of weather conditions, sunflowerseed and groundnut production may well be lower. A further expansion of rapeseed production in France and the Federal Republic of Germany may be offset by a lower crop in Canada.

There are no important new developments in production policies except from the entry into effect of the common policy of the European Economic Community for oilseeds and oils in July 1967.

(b) Developments in trade policies

The common agricultural policy on sugar in the European Economic Community was adopted on 1 July 1968. The new system provides for domestic price supports, variable levies on imports, and subsidies on sugar exported or used for animal feed or the chemical industry. The price supports for sugar, and sugar beet are at two levels, the higher applying to production within quotas calculated at 105 per cent of estimated consumption, and the lower applying to production in excess of quotas.

B. Impact on trade

(a) Volume of trade

Cocoa

Total imports of raw cocoa for 1967 in the main importing countries for which information is available were about 10 per cent lower than in 1966, partly because some of these countries took more in the form of cocoa butter, powder and paste. Preliminary estimates for the first half of 1968 indicate a further decline in total imports.

On the export side, while the value of exports of cocoa products (cocoa powder, butter and paste) increased by about 17 per cent during 1967, the value of bean exports decreased by 10 per cent to \$450 million because of reduced shipments and early sales made by certain countries before the recovery in world prices in 1966.

According to preliminary estimates, Ghana's exports declined to 335,000 tons in 1967 as against 398,000 tons in 1966 and 502,000 tons in 1965. Nigeria's exports recovered from the low level of 193,000 tons in 1966 and 251,000 tons in 1967, i.e. by almost 25 per cent, while Brazil's exports edged slightly higher in 1967 than in the previous year. Increases in exports were also registered by Togo, Ivory Coast and Ecuador. On the basis of provisional figures it is estimated that in 1967 the total value of exports of cocoa beans and cocoa products from producing countries as a whole increased by more than 20 per cent to \$615 million.

Coffee

Since 1963/64 the volume of world exports of green coffee has been effectively determined by the export quotas authorized under the International Coffee Agreement. This, however, does not include exports of "tourist" coffee, traded outside the quotas, exports to new markets which are not restricted by the Agreement, and exports from non-member countries. In the coffee year ending September 1967 members of the Coffee Agreement exported some 49.5 million bags compared with 49.1 million bags in 1966. Available figures for the first half of the current year indicate that coffee exports from the main sources are above those of the previous year, and estimates for the entire year show an increase of about 3.3 per cent over the previous year. For the forthcoming coffee year (1968/69) provision is made for export quotas of 47.8 million bags with a quota reserve of 1.5 million bags to be released in three instalments, as long as prices hold firm. Total exports during 1968/69 are estimated to amount to a level of 52.7 million bags.

On the import side, appreciable gains have been recorded by the main importing countries. In the United States the desire to build up stocks has resulted in imports in the first half of 1968 reaching 12.4 million bags, which is 5.2 per cent more than in the corresponding period last year; while at a much lower level, imports into France at 2.1 million bags, and into the United Kingdom, at 0.8 million bags, during the same period each rose by 10 per cent. Imports into the Federal Republic of Germany, the world's second most important market for coffee, during January-May 1968 at 2.1 million bags, were also 9 per cent greater than a year earlier.

Sugar

After remaining stationary at 19.5 million tons in 1965 and 1966, gross world exports seemed to have increased by more than 9 per cent to the record 1961 level of 20.69 million tons. The main increase in exports was from Cuba, which shipped about 1 million tons more than in the previous year. Exports from Brazil were unchanged, but those from other Latin American countries were higher. Developing countries in Asia and Africa appear to have exported less than in 1966, while the Socialist bloc increased its overall trade.

Oilseeds and vegetable oils

The trends in production, described earlier, are fully reflected in the developments of world trade, although total world trade was only slightly lower in 1967 than in the year before. Increased supplies of temperate-zone vegetable oils and oilseeds accounted for an appreciable increase in exports of these products. Soyabean exports went up, but the most significant increase was recorded for sunflowerseed oil, principally from the USSR. Russian exports of sunflowerseed oil which in 1965 amounted to 220,000 tons, increased to 424,000 tons in 1966 and increased further to an estimated 600,000 tons in 1967. Russian exports of sunflowerseeds doubled in the period of 1965 to 1967.

Exports of tropical oils and oilseeds, on the other hand, because of decreased availabilities went down in 1967 as compared with the preceding year. This is the case for palm kernels and palm-kernel oils, for palm oil as well as for copra and coconut oil.

Provisional figures for the early part of 1968 show a decline in exports of United States soyabean oil, three quarters of which are concessional sales, and a slight further increase of soyabean exports. Exports of groundnuts and groundnut oil tend to increase, while there is also some recovery in exports of coconut oil, palm-kernel oil and palm oil. Exports of copra, principally from the Philippines, and of palm kernels, mainly from Nigeria, continue their downward trend.

(b) Prices

Cocoa

The upsurge in cocoa prices, which began in 1966, was maintained in 1967. New York spot price for Ghana cocoa moved from an annual average of 17.3 cents per pound in 1965 to 24.4 cents per pound in 1966 and 29.1 cents per pound in 1967. According to the forecast of the FAO Study Group on Cocoa, reduced output of cocoa in 1968 accompanied by an expected 2 per cent increase in the consumption of cocoa is likely to result in the further improvement in cocoa prices.

Coffee

The effective balance between world supply of coffee and its demand is governed by the quota arrangements of the International Coffee Agreement. Since 1966/67 a selective system of quota adjustments has been introduced whereby quota changes are closely linked with movements in indicator price of the four main types of coffee. During 1967 prices of Colombian and other Milds fell quite sharply, which necessitated quota cuts. On the other hand, the demand for Robustas was maintained following which the quotas were raised. The indicator prices for 1967/68 were reduced for all Arabica types which reflected the weakening of the market for these types. For 1968/69 coffee year the ceiling and the floor price for Colombia, Mild, Arabica have been raised by 50 cents, while the ceiling price for Robustas has been increased by 25 cents.

Sugar

The excess of production over consumption and the constant rise in stocks had an adverse influence on sugar prices in the residual market. The price of sugar, which averaged 5.72 cents per pound in 1964, dropped by more than one half to 2.00 cents per pound for 1965 and fell further to an average of 1.75 cents per pound for 1966. In January 1967 prices reached their lowest point since the Second World War, but showed a recovery with the increasing use of sugar for cattle food and chemical purposes. Prices also responded favourably to an improved balance between world supply and demand, and in December 1967 the average for the year came to 1.87 cents per pound, which was some 6 per cent above the depressed average of 1.76 cents per pound in 1966. The outlook for 1968 is closely bound up with a reduction in accumulated stocks.

Prices paid under the Cuba USSR Agreement and under the Commonwealth Sugar Act, as well as under the American Sugar Act, which lays down the price paid by the United States for quota imports of sugar from certain developing countries, were about three times higher than the average "free" market prices. In the United States, the c.i.f. price averaged

6.37 cents per pound in 1966, but rose to 6.65 cents per pound in 1967. In the United Kingdom it remained stationary at 5.94 cents per pound during 1966 and 1967. The f.o.b. unit value of imports in the USSR was 5.98 cents per pound during 1966.

Oilseeds and vegetable oils

Increased supplies of soft oils, mainly from the temperate zone which could not sufficiently be taken up by importing countries, partly because of increases in domestic supply, exerted a pressure on the market which in 1967 resulted in a further fall in prices. The price decrease was particularly marked in the case of sunflowerseed oil. Short supply of lauric oils on the other hand, for which substitution possibilities are more limited, caused an appreciable price increase, in particular of copra and coconut oil.

The year 1968 so far showed a continuation of these tendencies, although soyabean prices were much firmer. Prices of sunflowerseed oil, however, were particularly low in the middle of the year, and, as a consequence, also soyabean oil prices decreased considerably. Prices of copra and coconut oil, on the other hand, continued to rise in the first half of this year but have weakened markedly since that time.

(c) International co-operation

Cocoa

In the course of recent years several meetings have been held under the auspices of UNCTAD to conclude an International Cocoa Agreement. In October 1967 a Memorandum of Agreement was adopted, providing for the minimum and maximum prices and the quota mechanisms operating at different price levels as well as sales from buffer stocks at an "upper-intervention price". A Cocoa Conference was held from 28 November to 19 December 1967 in which agreement was reached on several important aspects of the proposed Agreement. However, full consensus could not be reached on a number of other vital points and the Conference was suspended. The Second UNCTAD at New Delhi (February/March 1968) recommended that the Cocoa Conference should be reconvened in any case, not later than June 1968. A preliminary meeting of the main exporting and importing countries was held in June this year to decide for a formal resumption of formal negotiations. A divergence of views still appeared, but it was suggested that an agreement could not be held up over these issues since some of them could be dealt with very effectively by the Cocoa Council, when constituted. The need for a resumption of negotiations was re-emphasized at the Trade and Development Board meeting held from 2 September to 23 September 1968, but no decision has yet been taken on the date of the next Cocoa Conference.

Coffee

The International Coffee Agreement, which was extended last February for a period of five years, became operative on 1 October 1968. The new Agreement provides for an overall annual export quota of 47.8 million bags, with a reserve quota of 1.5 million bags to be released in three instalments, as long as prices remain firm. At its August/September 1968 session the International Coffee Council decided that the quotas of each selective group would be adjusted upward or downward by 3 per cent (instead of 2½ per cent as previously) when the price of that coffee remains above its ceiling (or below its floor) for fifteen consecutive days. The question of the Diversification Fund, which was set up to help member countries to switch out of coffee production into other fields of economic activity in order to bring about a better balance between world supply and demand, was deferred until the next meeting of the Council at the end of this year. All exporting member countries were invited to submit their production rules for the year 1972/73 by the end of this year. These indicative production plans will be examined by the Council at its next meeting in the light of the total exportable surpluses of all member countries.

Sugar

The International Sugar Agreement of 1958, whose economic operative clauses had lapsed at the beginning of 1961, was expanded by a Protocol pending the negotiation of a new agreement before the end of 1968. The UNCTAD Consultative Committee on sugar has held several meetings to this effect since the adjournment of the United Nations Sugar Conference in June last year.

The Sugar Conference, reconvened in September 1968, was successfully concluded on 23 October by the adoption of a new International Sugar Agreement. The Agreement will enter into force on 1 January 1969 for a period of five years. It provides for the establishment of export quotas to a total of 7,546,000 tons, of which Cuba accounts for 2,155,000, Australia 1,100,000, Taiwan 630,000, South Africa 625,000 and Brazil 500,000 tons. No agreement could be achieved with the European Economic Community on an export quota of 300,000 tons. The EEC, therefore, is not participating, but the quota of 300,000 tons will be reserved for the EEC in case of its future participation. The Agreement provides for a maximum price of 5.25 cents per pound. If the world market price falls below 3.50 cents per pound the export quotas will be reduced by 10 per cent. A further reduction of 5 per cent is possible when prices fall below 3.25 cents per pound.

Oilseeds and vegetable oils

In February 1968 a Technical Working Party set up by the FAO Study Group on Oilseeds, Oils and Fats, considered the technical feasibility of a number of measures which might contribute to a solution of the problems in this sector. The Study Group itself listed for further consideration, trade liberalization measures, compensatory arrangements, food aid and buffer stocks.

The Second UNCTAD Conference in New Delhi recommended for consideration the necessity to set up an intergovernmental consultative committee on oilseeds, oils and fats.

III. Recent Developments in Problems Connected with Certain Raw Materials and Non-Ferrous Metals

Difficulties in adjusting supply to demand and the growing use of substitute materials continue to be the main problems connected with traditional raw materials and heavy non-ferrous metals.

The demand for raw materials began to slacken in the course of 1966 reflecting to a large extent a slower pace of increase in the aggregate industrial output of the industrial countries. Economic activity picked up during the second half of 1967, and subsequently - with a time lag - the revival of demand had a stimulating effect on prices.

According to the United Nations export price index, prices of agricultural non-food commodities began on a downward course in the third quarter of 1966, maintained this trend throughout 1967 and recovered moderately in the first half of 1968. The level of these prices during the first half of 1968 was about 4 per cent below those recorded in the first half of 1967. The prices of a number of important commodities entering international trade such as rubber, wool, hard fibres and hides and skins which fell to exceptionally low levels in 1967 have shown signs of recovery in 1968. In the case of hard fibres, the improvement in sisal prices is largely attributable to the informal export quota arrangement among the producing countries. On the other hand, cotton prices rose in 1967 following a sharp reduction in world production, but weakened in 1968; however, with the elimination of surplus stocks, the prospects for a balance between supply and demand have improved significantly. Prices of jute also tended to weaken in the early months of 1968 but more recently have risen beyond the ceiling of the indicative price range recommended by the main producers and consumers.

The relatively high level of prices for metal ores and non-ferrous metals in 1967 and the first half of 1968 indicated by the United Nations price indices is mainly the outcome of exceptional circumstances on the supply side. A nine-month strike in the United States copper industry led to a sharp contraction in output followed by a steep rise in market prices of copper, but since the end of the strike, in March 1968, prices have moved downwards. Prices of zinc have been fairly steady; those of lead strengthened on the London Metal Exchange in the first half of 1968 partly owing to labour disputes in Australia, the leading exporter. By contrast, the price of tin has been subject to a steady decline despite heavy support buying by the Buffer Stock Manager of the International Tin Council. The Council decided to introduce export quotas from 19 September until the end of 1968 as a means of maintaining the price within the price range of the Third International Tin Agreement.

Brief notes on rubber, cotton and jute for which fairly complete information covering the period ending mid-1968 was available are given below.

Export Price Indices of Primary Non-Food Commodities

(1963 = 100)

	1964	1965	1966	1967	1967				1968	
					I	II	III	IV	I	II
Agricultural non-food ¹	102	101	103	95	98	97	93	92	93	95
of which:										
textile fibres	102	92	92	88	90	90	83	87	89	89
Metal ores	108	114	105	109	108	107	108	111	114	111
Non-ferrous base metals	119	135	156	142	146	135	137	152	168	147

¹Excluding fats, oilseeds and oils.

Source: United Nations, Monthly Bulletin of Statistics, September 1968.

Rubber

Slack demand for rubber in 1967 accentuated the downward trend in prices which began in 1961. World consumption declined by 3 per cent in 1967 and export prices (R.S.S. No. 1, Singapore) by 17 per cent to 17.7 cents per pound. Average prices in 1967 were at the lowest level recorded since 1949, having fallen by one half since 1960. Commercial stocks accumulated further to reach a million tons.

The situation improved markedly in the first half of 1968. While the volume of new supplies - production and deliveries from the United States' stockpile - was about the same as in the corresponding period of 1967, world consumption is estimated to have risen by 8.5 per cent. In the United States, the Federal Republic of Germany and the United Kingdom in particular, consumption advanced strongly. Commercial stocks were reduced substantially during the first six months of 1968, but part of this decline is seasonal. As regards United States' stockpile disposals, the rate of sales was reduced to 70,000 tons a year with effect from 1 July 1967. This compared with deliveries totalling 160,000 tons in 1966.

Prices, after having reached their lowest point in February 1968, responded to stronger demand in the following months. Between February and June 1968, f.o.b. prices of R.S.S. No. 1 Singapore, rose by about a fifth, and approximately maintained this level until September. However, at 18 cents a pound, prices remain relatively low. Despite a recovery in demand, a significant improvement in prices seems unlikely in the near future in view of the continuing competition from synthetic rubber. The share of synthetic rubber continued to increase during the first months of 1968. World consumption of synthetic rubber during the first half of this year is estimated to have risen by 17 per cent over the corresponding period of 1967, i.e. twice as fast as natural rubber. However, the synthetic rubber producers are also faced with certain problems such as excess production capacity. Problems of mutual concern to the natural and synthetic rubber-producing countries are examined by the Natural and Synthetic Rubber Producers' Consultative Committee which was set up by the International Rubber Study Group in October 1967.

The volume of world trade in rubber will probably reach a new record level in 1968. Exports during the first half of this year marked an increase of about 9 per cent over the first half of 1967.

Cotton

World cotton production declined during the last two seasons, by 8 per cent in 1966/67 and 4 per cent in 1967/68 reflecting mainly the impact of production adjustment measures taken in the United States where output fell by 33 per cent and again by 27 per cent in these respective seasons. A rise in production of about 10 per cent is anticipated for the 1968/69 season as acreage restraints in the United States have been relaxed and increases in output are also expected in other parts of the world.

The growth in world consumption slowed down markedly in 1967/68 to about 1 per cent compared with 2.7 per cent in the previous season. In both the United States and Western Europe there was a decline in consumption and the overall growth was entirely attributable to increases in Japan, the developing countries and the USSR, Eastern Europe and Mainland China as a group.

During the last two seasons the level of consumption exceeded that of production by a sufficiently wide margin to enable the virtual elimination of surplus stocks which had accumulated between 1962/63 and 1965/66. The reduction took place in the United States where the bulk of surplus stocks had accumulated; in 1968, carry-over stocks in the United States were brought down to less than 40 per cent of the 1966 level, primarily as a result of the drastic contraction in output.

In response to the reduction in supplies, prices of most medium- and long-staple cottons strengthened on international markets in the course of the 1966/67 season, and, in the first half of the 1967/68 season, the prices of all growths rose rapidly. The accelerated pace in the upward price trend has been attributed in part to the fact that consumers feared that supplies of those growths most in demand might be inadequate. From early 1968 prices weakened reflecting a temporary slackness in demand, the importing countries having built up adequate supplies for some time ahead.

International trade in cotton was at a near record level in 1966/67 but is estimated to have declined slightly in 1967/68; a substantial reduction in shipments from the United States and the United Arab Republic was recorded. Western Europe and South-East Asia imported less than the year before; this reduction was not quite offset by larger purchases by the USSR and Eastern Europe.

Jute, kenaf and allied fibres

With a view to stabilizing the jute market, an informal arrangement between the main producers and consumers has been drawn up under the auspices of the FAO Study Group on Jute, Kenaf and Allied Fibres. Agreement has been reached on an indicative price for raw jute and at present the possibilities of implementing an international buffer stock policy are being examined.

The production of jute, kenaf and allied fibres was at a high level during the 1966/67 and 1967/68 seasons (July-June); with heavy carry-over stocks in the producing countries, supplies reached a new record in 1967/68. However, in 1968/69 world output is expected to be considerably smaller as the crops in India and Pakistan have been affected by adverse weather; a further drastic reduction in Thailand's kenaf production is also anticipated. According to forecasts for 1968/69 prepared by the FAO Consultative Committee on Jute, Kenaf and Allied Fibres, import requirements (excluding India's) are likely to exceed exportable supplies.

Prices in 1967/68 fell back from the relatively high level prevailing during most of the previous season as Pakistan adopted a lower export price policy. Until September 1968 export prices of jute were maintained within the indicative range recommended by the Consultative Committee in September 1967 and revised in January 1968. At its sixth session in September 1968, the Committee decided to maintain the same recommended indicative price range for the 1968/69 season, although it was recognized that import demand might be stronger than anticipated in view of the uncertainties concerning India's requirements from external sources. However, it was pointed out by the importing countries that the recommended price was already at a level at which competition from synthetics and substitutes was making considerable progress. According to recent reports, following the disruption caused by floods in India, prices in October this year soared above the ceiling of the indicative price range.

World trade in jute and allied fibres declined in 1967/68 for the second consecutive year. The lower volume of trade in 1967/68 reflected the cessation of India's imports as a result of adequate domestic supplies; imports into other parts of the world increased although mill activity contracted in a number of developed countries.