

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Multilateral Trade Negotiations

### GROUP 3(f) - BACKGROUND INFORMATION ON CERTAIN TROPICAL PRODUCTS

#### CERTAIN VEGETABLE OILSEEDS, OILS AND OILCAKE

##### Note by the Secretariat

1. Information on the main points emerging from the statistical data contained in MTN/3F/W/3 concerning certain vegetable oilseeds, oils and oilcake of interest to developing countries are contained in the following paragraphs. Reference is also made to the tabulations in document COM.TD/W/189 where these are relevant.

##### Recent trends and trade patterns

##### Vegetable oilseeds

2. For convenience, the detailed tabulations concerning exports of vegetable oilseeds (series IVF) have been summarized in the following table. In 1967, aggregate exports of the oilseeds shown (palm kernels, copra, groundnuts and castor oil seeds) were 3.3 million tons valued at \$528 million and in 1972 they were 2.8 million tons valued at \$472 million. It is to be expected that the pattern of exports over this period may have been affected by a number of factors including climatic conditions, investment decisions, increasing domestic consumption in exporting countries and in some cases, efforts to increase exports of the product at a higher stage of processing.

3. The most important item in terms of quantity and value entering international trade and shown in the summary table is copra. For the period under review, exports of this product amounted to 1.2 million tons valued at \$196 million in 1967, 0.9 million tons valued at \$163 million in 1970 and 1.4 million tons valued at \$187 million in 1972. The other main raw material for the production of lauric oil is palm kernel, world exports of which were valued in dollar terms at \$46.8 million (371,000 tons by volume) in 1967 and \$46.6 million (407,000 tons by volume) in 1972. The pattern of palm kernel trade showed an upward trend to 1971, when exports were valued at \$67 million followed by a decline to the lower figure mentioned above for 1972. The Asian region was responsible for almost 80 per cent of copra exports in 1972 and Africa for 88 per cent of palm kernel exports by value.

4. The development of prices<sup>1</sup> for these items over the period 1963-1973 is reflected in the price index contained in Table III. It will be seen that for most years shown in the table, the price index for the two items moved in the same general direction. In the case of copra, the price index moved to 118 in 1965 (1963=100) followed by year-to-year fluctuations to reach 75 in 1972. It then rose to 176 in 1973 when oilseeds generally registered a substantial increase in price due to the relatively tight supply position in this sector as a whole.

5. Exports of groundnuts (shelled and unshelled) were valued at \$265 million (1.5 million tons) in 1967 and \$224 million (1.0 million tons) in 1972. Africa was the main supplying region among developing countries. Shelled groundnuts accounted for about 85 per cent of total exports. The index of prices shown in Table III again reflects the year-to-year fluctuations in price which this product has experienced over the last decade. It will be noted from the table that there were years (e.g. 1968 and 1972) when the index for groundnuts moved in the opposite direction to the indices for copra and palm kernels. However, as in the case of other oilseeds, the 1973 price index recorded a substantial upward movement.

6. For castor oil seed, exports were 172,000 tons in 1967 valued at \$20 million and 104,000 tons valued at \$14 million in 1972. Available price quotations for 1971 and 1972 in respect of this item are shown on page 7 of MTN/3F/W/3. For the two years indicated on a quarterly basis, the price, European ports, moved from \$151 per ton in the first quarter of 1971 to \$232 during the third quarter of 1972.

7. The summary table (below) also gives an indication of the main supplying countries for each of the items listed. Details of the share of each product in the exports of individual developing countries are provided in Table I of MTN/3F/W/3 and the trend of exports by volume and quantity during the period 1967-1972 by region and country may be obtained from Table series IVF.

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<sup>1</sup>Prices for individual vegetable oilseeds and oils may be influenced by a number of factors including the availability of the individual item, total availability in the sector and the price and availability of competing oilseeds and oils and in certain instances the availability of synthetic substitutes.

VEGETABLE OILSEEDSExport Volume and Value 1967-1972

	1967		1970		1972		Main suppliers
	'000 metric tons	\$ million	'000 metric tons	\$ million	'000 metric tons	\$ million	
<u>Palm kernels</u>							
World	371	46.8	457	67.4	407	46.6	Nigeria, Cameroon, Guinea, Togo, Sierra Leone, Liberia, Ivory Coast
Africa	298	38.8	380	57.5	342	40.9	
Central America	1.8	0.2	3.5	0.5	1.3	0.2	Honduras, Costa Rica
Asia	70	7.7	73	9.4	62	5.3	Indonesia, Malaysia, Singapore
<u>Copra</u>							
World	1,237	196	920	163	1,368	187	Mozambique, Tanzania, Seychelles, Comoro Islands
Africa	74	11	74	13	60	8	
Central America	8	1.4	4	0.8	5	1	Dominican Rep., St. Vincent, Nicaragua
Asia	950	152	662	117	1,098	148	Indonesia, Philippines, Malaysia, Sri Lanka, Singapore
Oceania	202	31	179	32	196	28	New Hebrides, Br. Solomons, Papua/N. Guinea, Pacific Islands, Gilbert Is., Fr. Polynesia, Tonga, W. Samoa

	1967		1970		1972		Main suppliers
	'000 metric tons	\$ million	'000 metric tons	\$ million	'000 metric tons	\$ million	
<u>Groundnuts</u> (In shell)							
World	185	35	104	25	136	34	Sudan, Egypt, Madagascar, Tanzania, Libya, Uganda
Africa	43	9	45	11	39	9	
Central America	5	1	3	0.7	3	0.6	
Asia	25	6	28	7	32	10	Thailand, Israel, Indonesia, Singapore
<u>Groundnuts</u> (Shelled)							
World	1,330	230	922	193	814	190	Nigeria, Niger, Senegal, Sudan, Malawi, Gambia
Africa	1,138	189	666	127	431	96	
South America	16	4	53	12	54	14	
Asia	19	3	63	14	60	15	Indonesia, Singapore, Lebanon, Hong Kong
Oceania	2	0.6	2	0.6	2	0.6	Papua/N. Guinea, Fiji
<u>Castor oil seed</u>							
World	172	20	132	15	104	14	Tanzania, Sudan, Kenya, Mozambique, Ethiopia
Africa	40	5	28	3	25	4	
South America	15	1.6	35	3	33	4	
Asia	37	4.3	38	4.6	32	4.3	Thailand, Indonesia, Hong Kong

Vegetable oils

8. The following summary table of exports of palm, palm kernel, coconut, groundnut and castor oils by volume and value for the period 1967-1972 has been extracted from the more detailed statistical information contained in Table series IVF. The Table indicates that whereas exports of vegetable oilseeds by volume and value have declined, world exports of the vegetable oils under consideration have shown an upward trend in both volume and value terms during 1967-1972.

9. Exports of palm-oil amounted to 580,000 tons valued at \$112 million in 1967 and 1.4 million tons valued at \$271 million in 1972. The share of the Asian region in total exports of palm-oil in dollar value terms rose from 66 per cent in 1967 to 78 per cent in 1972. Table III provides details of price movements and indicates the price fluctuations which have occurred in respect of this item. Compared with 116 in 1965 and 104 in 1967 (1963 = 100), the index moved to 75 in 1968, increasing to 116 in 1970 and after a further downward movement to 103 in 1972 rose to 152 in 1973.

10. Palm-kernel oil and coconut oil exports totalled 607,000 tons valued at \$156 million in 1967 and 1.1 million tons valued at \$238 million in 1972. While developing countries of Africa were the major exporters of palm-kernel oil, the Asian region was responsible for the bulk of coconut oil exports. Year-to-year changes in volume and quantity may be seen from Table series IVF. Details of price developments for these two items are reflected in Table III which indicates on the basis of the price index, the amplitude of the price fluctuations which have occurred over the last decade. Consistent with developments for other vegetable oils, the price index for coconut oil registered a significant upward movement in 1973.

11. World exports of groundnut oil also showed variations in volume and value over the period and in 1972 stood at 511,000 tons valued at \$189 million. Year-to-year changes in exports may be seen from Table series IVF. Price developments for groundnut oil are reflected in the index of prices shown in Table III. During the period 1963-1969 the price index (1963 = 100) moved annually within the range of 87 in 1968 to 109 in 1969. In the following years, the index moved upward to reach 178 in 1972 which was considerably higher than for other vegetable oils shown in the Table for that year.

12. Exports of castor oil were 113,000 tons in 1967 and 185,000 tons in 1972. In dollar value terms, exports amounted to \$36 million in 1967 and \$73 million in 1972. Shipments by volume almost doubled between 1967 and 1969 to 211,000 tons and then registered a decline in the following two years to reach 168,000 tons in 1971. While no comprehensive price index series for castor oil was available for the comparative purposes of Table III, certain price developments may be seen from the price quotations shown (European ports: Brazilian No. 1) for the period 1971-1973 in the table on page 7 of MTN/3F/W/3. This shows the significant increase in price experienced during 1973.

13. Certain additional information regarding trade at most-favoured-nation and special preferential rates of duty for the period 1964-1970, including details of such trade by country of origin, may be obtained from the tabulations contained in document COM.TD/W/189.

14. It may be noted that unit values for exports of vegetable oilseeds and oils for which data have been collected in Table series IVF tend to vary from country to country. In this connexion, the situation for individual exporting countries would also appear to differ from commodity to commodity and no general pattern would appear to emerge. In addition to certain aspects such as supply availability, quality, and possible statistical distortions, factors which might influence this situation include the position where there is a traditional demand for particular oils in some markets in relation to certain end-uses with the result that substitution possibilities may be less important and price fluctuations less pronounced. Traditional trading patterns may also have some bearing in this respect.

#### Vegetable oilseed cake and meal

15. Details of world exports of all oilseed cake and meal for the period 1967-1972 are shown in the summary table. Exports by volume increased each year from 8.9 million tons in 1967 to 12.1 million tons in 1972 and in dollar value terms from \$730 million to \$1,644. Among developing countries, the major increase in exports took place from the South American and Asian regions.

16. No comprehensive price series for oilcake expelled from tropical oilseeds was readily available for inclusion in the tabulations. Table III, however, does provide an indication of price movements in respect of groundnut cake. It may be seen from this table, that for the period 1963-1969 the annual price index moved between 100 for 1963 and 105, except for 1965 when it registered an upward movement to 113. Following a decline from the higher level of 120 in 1970 to 109 in 1971, the index has moved upward to 291 in 1973, reflecting the tight supply position for oilseed cake in general during 1973.

VEGETABLE OILS AND OILCAKE  
Export Volume and Value 1967-1972

	1967		1970		1972		Main suppliers
	'000 metric tons	\$ million	'000 metric tons	\$ million	'000 metric tons	\$ million	
<u>Palm-oil</u>							
World	580	112	938	212	1,403	271	
Africa	175	32	210	52	167	35	Zaire, Cameroon, Dahomey, Ivory Coast, Equatorial Guinea, Nigeria
South America	2	0.3	4	0.7	5	0.9	Paraguay
Central America	0.1	0.04	-	-	0.7	0.2	Honduras, Costa Rica
Asia	385	74	695	150	1,153	212	Malaysia, Indonesia, Singapore
<u>Palm-kernel oil</u>							
World	135	32	173	51	220	53	
Africa	105	23	106	30	100	24	Zaire, Nigeria, Cameroon, Dahomey, Ivory Coast
South America	8	2	21	6	6	2	Paraguay, Brazil
Asia	-	-	2	0.7	50	11	Malaysia
<u>Copra oil</u>							
World	472	124	612	187	843	185	
Africa	13	3	14	6	13	4	Mozambique, Tanzania, Ivory Coast
Central America	1	0.5	2	0.7	6	1.4	El Salvador, Dominican Rep.
Asia	363	95	486	145	629	128	Philippines, Sri Lanka, Malaysia, Singapore, Indonesia
Oceania	38	9	51	15	47	12	Papua N. Guinea, Fiji
<u>Groundnut oil</u>							
World	424	136	429	146	511	189	
Africa	274	91	276	93	304	110	Senegal, Nigeria, Niger, Gambia, Mali
South America	70	17	74	22	112	38	Brazil, Argentina
Asia	8	3	10	4	11	5	Hong Kong, Singapore, Thailand

	1967		1970		1972		Main suppliers
	'000 metric tons	\$ million	'000 metric tons	\$ million	'000 metric tons	\$ million	
<u>Castor oil</u>							
World	113	36	188	50	185	73	
Africa	0.3	0.1	-	-	0.7	0.2	Sierra Leone
South America	75	23	154	38	121	41	Brazil
Asia	3	1	19	6	34	21	India
<u>Oil cake and meal</u>							
World	8,893	730	11,122	928	12,096	1,164	
Africa	1,016	75	1,136	85	1,119	88	Senegal, Sudan, Nigeria, Tanzania, Uganda, Mozambique, Ethiopia, Niger, Dahomey, Gambia
Central America	178	12	109	7	135	9	Nicaragua, Guatemala, El Salvador, Mexico
South America	1,379	101	2,101	155	2,427	226	Brazil, Colombia, Paraguay, Uruguay, Chile
Asia	1,768	123	2,010	144	2,241	169	India, Philippines, Indonesia, Burma, Thailand
Oceania	18	1	25	1.3	22	1.3	Papua N. Guinea



### Tariffs

17. While this and the following sections deal with tariffs and certain non-tariff measures affecting imports, they do not cover measures affecting production and exports such as support measures for domestic production of certain vegetable oilseeds and oils and aids which may be made available for exports.

18. The main features emerging from the details on tariffs shown in table series IIF may be summarized as follows.

### Palm nuts and kernels, copra and groundnuts

19. Palm nuts and kernels and copra are admitted duty free into all developed countries shown in the table, except Switzerland where the ad valorem incidence is very small. The Philippines preference on copra in the United States market is scheduled to disappear in July 1974. With respect to groundnuts, tariffs are maintained by Australia, Switzerland, Japan and the United States. The illustrative list included in the proposed GSP scheme of the United States indicates duty-free treatment for groundnuts shelled, blanched and roasted. While Japan imports groundnuts for oil extraction free of duty, such imports other than for oil extraction are dutiable. United Kingdom duties imposed on these oilseeds prior to accession to the EEC are in the process of alignment with the EEC tariffs and are thus scheduled to be phased out by July 1977.

### Palm-oil, palm-kernel oil, coconut oil and groundnut oil

20. While oilseeds are permitted entry duty free into most developed-country markets shown in Table IIF, the vegetable oils thereof are dutiable in a number of such markets. It will be noted that, with respect to the EEC<sup>1</sup> market, the tariff level often varies according to the degree of processing as well as according to the end use of the item concerned. The maximum rate of duty in this market is applied to vegetable oils in small containers for human consumption. The Canadian m.f.n. duty on the above oils in their crude state has been reduced to zero in the proposed GSP scheme of Canada and oils other than crude are subject to a reduced duty rate under the proposed GSP. New Zealand maintains a duty on palm, palm kernel and groundnut oil in small containers and charges duties on coconut oil in all forms, a higher rate being applied to oil in small containers. Of the above oils, Australia maintains a duty on groundnut oil and Norway on palm kernel, coconut and groundnut oils. Purified and refined vegetable oils became dutiable in Sweden on 1 July 1973 and crude oils are scheduled to become

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<sup>1</sup>For a summary of the transitional duty arrangements of Denmark, the United Kingdom and Ireland, see page 4 of MTN/3F/W/3.

subject to duty in that market on 1 July 1975 at the same tariff levels as applied by the European Economic Community. As indicated in the table, Switzerland, Finland and Japan apply duties to the vegetable oils covered in this paragraph. Palm-kernel oil (other than for industrial use), coconut oil and groundnut oil are also subject to duty when imported into the United States. It may be noted from the tabulations, that Sweden is the only country at present granting duty-free entry to vegetable oils when imported from developing countries under the GSP, although the EEC and Japan have reduced their duties on crude coconut oil for industrial use and palm-oil respectively by 50 per cent under their GSP schemes.

#### Castor oil seeds and castor oil

21. Castor oil seeds are provided duty-free entry into all the developed countries shown in Table IIF other than Switzerland where the incidence is less than 1 per cent. Castor oil however is subject to duty in a number of developed-country markets. Such oil, other than for certain industrial uses, is dutiable in the EEC and Canada applies an m.f.n. duty to castor oil other than crude. This product is also subject to an m.f.n. tariff in Australia (duty free in the GSP), Switzerland, Japan and the United States, although for the United States, castor oil is included in the illustrative list of items for duty-free treatment in that country's proposed GSP scheme. New Zealand maintains a duty on castor oil in small containers.

#### Oilcake

22. Table IIFj shows that the developed countries listed which apply duties to oilcake are New Zealand, Switzerland and the United States.

#### Internal taxes

23. Details of available information on internal taxes applied to certain vegetable oilseeds and oils are to be found in Table series IIF. For the oilseeds listed, the only selective tax imposed in the developed countries shown, is that applied by Denmark in the form of a raw material tax of DKr 1.80 per kg. on unshelled groundnuts and DKr 3 per kg. on the shelled variety for industrial use. Details of taxes of general application are also indicated, where relevant, in the tables.

24. The situation relating to the vegetable oils listed is also shown. With regard to taxes of general application, it may be noted that there are instances where higher tax rates are applied to the oil than applied to the oilseed. Oilseeds and oils (other than castor oil) are exempt from value added tax in the United Kingdom. The information provided in the tables also shows the application of a selective tax by France to certain vegetable oils.

#### Other non-tariff measures

25. Information on other non-tariff measures affecting certain items in the oils and oilseeds sector is shown in table series IIF.

Palm nuts and kernels, copra and groundnuts

26. The above oilseeds are subject to import restriction when imported into Finland and New Zealand for oil extraction. Under Section 22 of the Agricultural Adjustment Act, the United States maintains an annual import quota of 1.7 million pounds (shelled basis) on groundnuts, shelled or unshelled. Groundnuts other than for oil extraction are also subject to import restriction in Japan.<sup>1</sup>

27. Levies are applied to imports in certain countries. According to the data contained in Table IIF, Switzerland applies levies to these items when used for the manufacture of edible oil and for animal feed. The tariff schedule of Finland provides for the imposition of an import tax on the items listed above.

28. Other non-tariff measures notified include those applied by New Zealand for health and sanitary regulations relating to seed-borne diseases and health and sanitary regulations relating to controls on the import of groundnuts by Australia.

Palm-oil, palm kernel oil, coconut oil and groundnut oil

29. As for the oilseeds, Finland applies restrictions to the import of the vegetable oils listed above and New Zealand restricts the import of these oils when in containers of less than 1 gallon. Finland also maintains an import tax on the above items when purchased for food use. Imports of these oils into Switzerland are subject to levies when used for human consumption. The information contained in Table IIF also indicates the application by Sweden of a variable levy in 1973 to the vegetable oils under consideration in this section.

Castor oil seeds and castor oil

30. Table IIF records that while New Zealand and Finland apply restrictions to the import of castor oil seeds, New Zealand also maintains a restriction on the import of castor oil in small containers.

Oilcake

31. According to Table IIFj, New Zealand, Switzerland and Finland impose restrictions on the import of vegetable oilcake and the import of this item is subject to State-trading operations in Norway. Import levies are maintained by Sweden and Switzerland on oilcake and imports into Finland are subject to an import tax.

Action in other international organizations

32. The FAO Intergovernmental Group on Oilseeds, Oils and Fats, together with its Sub-Group on Statistics, has provided a continuing forum for the discussion and examination of matters relating to the world oils and oilseeds economy with

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<sup>1</sup>Restrictions on imports of roasted groundnuts were removed on 1 November 1973.

particular reference to the problems of developing countries in this field. In examining possible measures for long-term action the Group has been considering, in particular, ways of maintaining stable, equitable and remunerative prices and possibilities for reducing or removing barriers to trade in this sector.

33. A Special Session of the Intergovernmental Group was convened in February 1974 in accordance with UNCTAD resolutions 83(III) and 7(VII). In its conclusions, the special session paid particular attention to the following concrete proposals to which it was considered governments should give a more detailed examination as early as possible in order to determine what action should be taken; (a) non-imposition or "phased" reduction of tariffs and other barriers to trade in products of export interest to developing countries. Consideration should be given to drawing up an agreed timetable with priority for palm oil, coconut oil, other oils of export interest to developing countries and also oils for non-food uses. Special attention should be paid to action designed to offset losses of preferences enjoyed by some developing countries; (b) abolition or relaxation of import quotas and other quantitative restrictions; (c) compensatory payments arrangements between interested countries with the purpose of stabilizing export prices or export earnings of developing countries; (d) triangular transactions in food aid schemes involving vegetable oils, along the line of those in use for rice; (e) international agreements or informal international measures designed to promote market stability and expansion.

34. Producer organizations which meet periodically to review the situation and consider appropriate action for certain items falling within this sector are the Asian Coconut Community and African Groundnut Council.