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GENERAL AGREEMENT ON TARIFFS AND TRADE

Special Group on Trade in Tropical Products

RECENT DEVELOPMENTS CONCERNING SELECTED TROPICAL PRODUCTS

Note by the Secretariat

1. The following paragraphs supplement and update some of the information contained in document SGTP/15 dated 4 February 1970 in respect of the six product categories - coffee, cocoa, tea, vegetable oilseeds and oils, bananas and spices - selected for priority consideration in the Special Group and also in respect of natural rubber.

Market developments

Coffee

2. World coffee production for the 1969/70 season has been estimated at 64.0 million bags, about 5 per cent above the low level of output achieved in 1968/69. According to International Coffee Council estimates, world import requirements could total 52.2 million bags and an additional 17 million bags could be required for domestic consumption in producing countries. As a result, coffee stocks of 67 million bags held by exporting member countries of the Agreement on 30 September 1969, are expected to show a further decline during the 1969/70 season.

3. Although coffee prices remained relatively stable during the first quarter of 1970, they have registered a significant upward trend in the last twelve-months in response to the supply situation. Whereas the composite price determined under the Coffee Agreement for all coffee was 34.97 cents per lb. in May 1969, it had risen to 51.14 cent per lb. by May 1970 according to the monthly commodity price series issued by the Commodities Division of UNCTAD.

Cocoa

4. After four consecutive years of deficit production which resulted in low cocoa stock levels, estimated 1969/70 world cocoa production at 1.38 million tons could exceed the previous year's output by 12.6 per cent. If the latest crop estimate is realized, the 1969/70 world cocoa harvest will be the second largest on record. World cocoa grindings for the 1970 calendar year, at 1.32 million tons, are forecast to be below 1969 levels as manufacturers work off cocoa acquired at higher prices and because of the increased use of extenders and substitutes.

5. Average annual cocoa prices have risen in each of the four years ending 1969, reflecting the short supply situation. Compared with the extremely low annual average price of 17.3 cents per lb. for Ghana, spot New York in the surplus situation of 1965, the 1969 price average was 45.7 cents per lb. With the higher 1969/70 crop, resulting in an easing of the supply situation, prices have declined from the peak of 48.7 cents per lb. in November 1969 to the May 1970 average of 29.4 cents spot New York.

Tea

6. On the basis of preliminary statistics collated by the International Tea Committee, 1969 tea output in eight[1] main producing and exporting countries was 1,573 million lb. compared with 1,566 million lb. in 1968. Smaller production in Ceylon and India was more than offset by increased output in East African tea-producing countries. Preliminary import statistics issued by the Tea Committee indicate that total imports by the major consuming countries declined by about 2.5 per cent in 1969. Reductions in demand by major importing countries - United Kingdom, the United States, Australia, New Zealand and Iraq - were partially offset by higher imports into the USSR, Japan, Saudi Arabia and Morocco.

7. The long-term erosion of tea prices, which reached their lowest average levels for sixteen years in 1969 was arrested and reversed towards the end of 1969 and in the early months of 1970. The London average auction price for all tea in May 1970 was 51.7d. per lb. compared with 42.8d. in May 1969. The upward trend in price has been attributed to a number of factors including the reduction in London warehouse stocks from 205 million lb. at the end of May 1969 to 146 million lb. at the end of May 1970 and to the informal agreement among producing countries to remove some 90 million lb. of black tea from the international market in 1970 under an export quota scheme.

8. Vegetable oilseeds and oils

According to the May 1970 edition of Vegetable Oils and Oilseeds issued by the Commonwealth Secretariat, new supplies of vegetable oils increased by about 650,000 tons in 1969, to reach a record level of 22.35 million tons. The overall expansion of 3 per cent took place principally in the edible and industrial oils, especially soya, cottonseed and linseed. Most of the increase occurred in the United States where the 1968-69 soyabean crop rose by 11 per cent to a record 28.9 million tons. It would appear that there was a small decline in new vegetable oil supplies in developing countries during 1969 as compared with the preceding season. Increased vegetable oil output in Brazil, Argentina, Malaysia, Nigeria, Democratic Republic of the Congo and Indonesia was insufficient to offset the reduction in a number of other countries, especially in the Asian region.

[1] Ceylon, India, Kenya, Malawi, Mauritius, Mozambique, Tanzania, Uganda.

9. Edible oil prices rose sharply in 1969 in marked contrast with 1968 when abundant supplies of sunflower and marine oils kept prices at low levels for most of the year. Export values increased further in the early months of 1970. Compared with May 1969 soybean oil prices rose 75 per cent to an average of $299 per metric ton ex-tank Rotterdam in May 1970, sunflower oil more than doubled to $352 on short supply and palm-oil increased by more than 65 per cent to $279 c.i.f. European ports. Among the oils registering a smaller rate of increase during the period were groundnut oil, 11 per cent to $384 per metric ton and coconut oil, 11 per cent to $373 per metric ton, c.i.f. European ports.

Bananas

10. At a meeting in April 1970, the Statistical Committee of the FAO Banana Study Group considered that world supplies of and demand for bananas in 1970 will be roughly in balance. In coming to this conclusion, account was taken of the reduction in supplies caused by extensive damage to crops in certain countries of Central America and the Far East towards the end of 1969. At the time of the session, supplies available for export in 1970 were estimated at 6.3 million tons or 8.5 per cent over actual exports in 1969. Imports on the other hand were expected to increase by 2.7 per cent in 1970 to about 5.9 million tons. Banana prices showed an upward trend early in 1970, the c.i.f. price Hamburg for Ecuadorian bananas being quoted at $155 per metric ton in February 1970 compared with $130 twelve months earlier.

Spices

11. The value of world trade in spices in 1968 was estimated at about £65 million of which pepper accounted for about one third. Pepper exports at 83,000 tons, appear to have been the highest recorded in the post-war period with reduced supplies from Indonesia being more than offset by increased exports from the other major producers, India, Malaysia (Sarawak), Brazil and Malagasy.

12. A feature of the pepper market is the wide fluctuation in price which has been a matter of considerable concern to producing countries. In response to reports of a sharply reduced Indonesian crop, New York spot prices for Indonesian black pepper rose from mid-August 1969 quotations of 35 cents per lb. to as high as 69 cents per lb. by early October. Heavy speculative buying in Singapore also contributed to the sharp rise in prices. By early March 1970 the price of Indonesian (Lampong) pepper had eased to about 57 cents per lb.

13. Market reports circulating at the end of June 1970 indicated that the Indonesian crop would be down for the second year running and that other main crops in Sarawak, Malagasy and Brazil are also expected to be lower than last season's levels. As a result, pepper prices registered a significant upward trend during the second half of June.

Natural rubber

14. A brief description of the market situation for natural rubber in 1969 is contained in SGTP/16. Recent estimates by the International Rubber Study Group indicate that 1970 rubber production could exceed consumption by about 2 per cent. After the higher prices which were obtained in 1969, values reflected a downward trend during the early months of 1970. By May, the average price for No. 1 RSS f.o.b. Singapore had declined to 18.9 United States cents per lb. compared with 22.6 cents in May the previous year. This was 28 per cent below the peak 1969 price registered in August.

International action

15. There appear to have been no noticeable developments since the matter was last reported on to the Committee on Trade and Development in COM.TD/W/120.

16. Annexed to this note is an extract concerning vegetable oils and oilseeds from the report of Working Group 2 of the Agriculture Committee (COM.AG/W/60) which met during June. It will be recalled that the Committee on Trade and Development has agreed that the problem of tropical oils and seeds would not be taken up by the Special Group before the matter had been considered by the relevant Working Group of the Agriculture Committee.

Annex

VEGETABLE OILS AND OILSEEDS

Extract from Report of Working Group 2 of Agriculture Committee

The Group reverted to the proposals by Nigeria (COM.AG/18 and Corr.1) and Ceylon (COM.AG/19) for the reduction and elimination of tariff and non-tariff barriers to tropical oilseeds and vegetable oils.

The representatives of Nigeria and Ceylon, supported by other exporters of these products, expressed the hope that the Group might suggest lines of action to ease the problems faced by developing countries in this connexion, but which would not prejudice possible future action in a broader context. They stressed that particular attention should be given to differential tariff duties. They felt that it was possible to give separate treatment to tropical oils and oilseeds, and in this context referred to the International Olive Oil Agreement and to suggestions made at the special session of the FAO Study Group on fats and oils in January 1970 regarding the possibilities of a buffer stock scheme for lauric oils.

The representatives of the countries to which the proposition was addressed stated their positions. One delegation recalled that their country had already announced that restrictions on several of the products under discussion were to be removed by the end of 1971. This delegation added that no additional action on tariffs was expected for the foreseeable future due to the adverse effects that this would have for domestic producers and, because of substitution effects, for certain outside suppliers. They referred to the increased imports of their country and indicated their readiness to consider mutually acceptable solutions in this field.

Another delegation indicated that they were unable to take any action at present, and pointed out that their quantitative restrictions on groundnuts were connected with a support programme which involved domestic production controls. Another delegation said that oilseed production in their country was motivated by security grounds and the need to rotate crops, and pointed out that its self-sufficiency ratio was relatively low, there being no quantitative restrictions. An internal levy was applied without discrimination to domestic and imported products and its reduction would not affect the level of imports. He recalled that his country's general support for international commodity arrangements also applied to fats and oils but said that any arrangements should cover the whole sector, in view of the interrelationships between the different products. Another delegation noted that protection in his country was already at a moderate level. Unilateral elimination of the protection could therefore not be envisaged, but could be considered as part of multilateral action. Another delegation said that

it could not yet pronounce on the request addressed to it for the relaxation of measures at the frontier, which consisted only of tariffs, as it had not received instructions.

One delegation recalled the suggestion that countries might subscribe to a standstill which had been made at a previous meeting (L/3320, paragraph 15) and proposed the text of such a standstill (annexed). Some delegations stated that, although in principle in favour of the standstill if it were to be accepted by major trading countries, the fact that their countries were to engage in certain negotiations meant that they would have to reserve their position with regard to its duration. Another delegation indicated that legal reasons prevented it from formally accepting the text but that its government could declare its intention not to change its present system of policy in this field.

It was agreed that it would be desirable to examine further the question of the standstill with a view to seeing if agreement could be reached on the text of a standstill or a series of declarations of intent which went in that direction. It was understood that the adoption of the standstill would not exclude the examination of possibilities for further action.

The representatives of developing exporting countries said that the discussion reflected the awareness of other delegations of the problems of developing countries in this sector, and expressed their appreciation of the willingness on the part of certain developed countries to consider possibilities for liberalization if other consuming developed countries were prepared to take similar action. They hoped that this willingness on the part of these countries indicated that it was possible to treat problems of tropical oil and oilseeds separately. They expressed the hope that if other consuming countries considered taking similar action, contracting parties could move towards a solution of problems facing developing countries in the sector.

DRAFT STANDSTILL PROVISIONS ON OILSEEDS AND OILS

Proposal by a Delegation

Whereas trade liberalization offers substantial potential for expansion of consumption and trade in oilseeds and products, with consequent benefits to producing and consuming countries, contracting parties hereby declare that as a preliminary step to this goal they shall, to the fullest extent possible - that is, except when compelling reasons, which may include legal reasons, make it impossible - refrain from introducing or increasing the incidence of, customs duties or non-tariff barriers on, such products.