

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

DISPOSAL OF SURPLUSES

Recent action by international bodies in connexion with the disposal of surpluses

1. When the CONTRACTING PARTIES discuss the Eleventh Session Agenda item on the Disposal of Surpluses they may wish to have some information on new developments in this field. The purpose of this paper is to give a summary description of recent action in connexion with the disposal of surpluses taken by other international bodies, principally the Food and Agriculture Organization.
2. The FAO has taken a special interest in this question and is at present engaged in the preparation of a report on:
 - (a) the extent to which the FAO Principles (which are directed towards the disposal of surpluses in an orderly manner and without harmful interference with normal patterns of production and international trade) have been observed, and
 - (b) the effect, if any, on the markets of other member countries of disposals of surplus products on special terms either by price arrangements or other means.

In view of the lack of detailed information a questionnaire on the disposal of surpluses over the period June 1954 - June 1956 was sent to all FAO member countries. In order to keep the enquiry within practicable limits, it will be restricted, for the time being, to dairy products and wheat (C125/3 of 5 July 1956).

3. In December 1954 the UN General Assembly passed a resolution (RES 827 (IX)) asking the Secretary-General of FAO to prepare a report on what has been done and is being done in connexion with the establishment of a world food reserve. One of the objectives of such a reserve was to be "the promotion of the rational disposal of intermittent agricultural surpluses". The report "Functions of a World Food Reserve - Scope and Limitations" (E/2855) was discussed by the Economic and Social Council at its XXII Session. After examination of the Report by its Economic Committee the Council approved the resolution reproduced in the Annex hereto (E/RES/(XXII)/10).
4. Somewhat akin to the above is the study, pursued by FAO organs, of the possibility of creating national food reserves. The Governments of Belgium, Denmark, France, Ireland, Netherlands, New Zealand and Sweden indicated to the FAO "that they were not interested in receiving surpluses for national reserves and that they had at present no surplus stocks from which they could provide other countries with supplies for national reserves". (CCP/56/4). Since India

and Pakistan gave an indication of their possible requirements, the FAO Sub-Committee on Surplus Disposal appointed a working party to examine the practical aspects of the possible use of surplus agricultural commodities in building up national reserves to be used against crop failures and other emergencies etc., and how this could be carried out in conformity with the FAO principles on surplus disposal.

5. The Committee on Commodity Problems of FAO discussed further the use of surpluses for economic development along the lines set out in the "Pilot Study in India" (FAO/55/4/2617) of 25 May 1955. The representatives of several countries said that they were engaged in bilateral negotiations for the supply of surpluses to aid in financing additional economic development. The Sub-Committee on Surplus Disposal continues to follow developments in the use of surpluses for this purpose.

6. Closely allied with the preceding is the FAO project to expand the consumption of dried skim-milk. The project involves the setting up of plants in Calcutta and Madras and the provision of experts and technicians. Five of the participating countries would make available supplies of dried skim-milk on concessional terms for a three-year period. A milk survey has also been carried out in Pakistan; recommendations have been made to the Pakistan Government for action to increase milk consumption.

7. The FAO Consultative Sub-Committee on Surplus Disposal, sitting in Washington, has, among its other activities, continued to provide a forum for discussions relating to individual transactions and programmes of surplus disposal.

8. Discussions have been held in the FAO, and also in the United Nations Commission for International Commodity Trade, on proposals by the Argentinian Government for international action in defence of primary commodity markets. These proposals implied substantially:

- (i) determination of the existence of surpluses in the market of a particular primary commodity;
- (ii) freezing of the prices in effect at the time of the determination;
- (iii) establishment of common rules for the coordination and correlation of national reserve policies; and
- (iv) formulation of rules governing gifts and other concessional transactions with regard to primary commodities.

After some discussion the Argentinian Government made it known to the Sub-Committee on Surplus Disposal of the FAO that, while it remained ready to cooperate with other governments in international discussion to help solve surplus disposal problems, it no longer wished to press its proposals (FAO/56/4/2664).

9. Recently, the Organization of European Economic Co-operation has taken up the question of disposals and has appointed (C(56)123) a working party to "study the effects on the patterns of trade, both in and outside Europe, of the disposal of agricultural surpluses as far as they affect member countries". This working party is to report to the Council of the Organization by 31 December 1956.

ANNEX

ESTABLISHMENT OF A WORLD FOOD RESERVE

(Resolution adopted by the Economic and Social Council on 6 August 1956)

The Economic and Social Council,

Having considered the report on the Functions of a World Food Reserve - Scope and Limitations prepared by the secretariat of the Food and Agriculture Organization of the United Nations pursuant to General Assembly resolution 827 (IX) of 14 December 1954,

Affirming the desirability of achieving the objectives set forth in General Assembly resolution 827 (IX),

Commending the secretariat of the Food and Agriculture Organization for the useful review and analysis,

1. Notes that it is not practicable to achieve under a single organization all the objectives set forth in General Assembly resolution 827 (IX);
2. Concludes:
 - (a) That the basic solution for the problems to which the General Assembly resolution is addressed lies in rapid and balanced economic development;
 - (b) That under appropriate circumstances food surpluses can usefully contribute to this development when account is taken of the principles established by the Food and Agriculture Organization for the disposal of agricultural surpluses;
 - (c) That the use of food surpluses or reserves for economic development or price stabilization purposes, which is an aspect of more general problems already under consideration in the United Nations family, should be examined as part of those problems with increased emphasis on the role of food surpluses or reserves in assisting less developed countries to resist strains placed on their foreign exchange positions by unforeseeable food shortages;
3. Stresses the need for progress toward the attainment of the objectives of the General Assembly resolution through continued and intensified international cooperation and national programmes;
4. Requests the Secretary-General, in consultation with the Food and Agriculture Organization and such other organizations and experts as he considers appropriate to report on the possibility of further national action and

¹Food and Agriculture Organization of the United Nations, Commodity Policy Studies, No.10 (Rome, 1956), document E/2855.

international cooperation with a view to attaining the objectives set forth in the General Assembly resolution, including the feasibility and, if feasible, the manner of using food reserves for meeting unforeseeable food shortages, taking into consideration the various suggestions made at the twenty-second session of the Council and those which may be made at the forthcoming eleventh session of the General Assembly, and to transmit his report to the Council at its twenty-fourth session;

5. Decides to consider this report at its twenty-fourth session and to transmit it and the Food and Agriculture Organization's report together with its own recommendations to the General Assembly at its twelfth session.