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## DISPOSAL OF COMMODITY SURPLUSES

### Statement submitted by the Food and Agriculture Organization on its Activities in the Field of Surpluses

The following brief review of recent activities of the Food and Agriculture Organization of the United Nations in the field of surpluses is submitted for the information of delegates in considering Item 8(b) of the Agenda of the Twelfth Session of the CONTRACTING PARTIES (Disposal of Surpluses).

With large stocks of wheat, maize and cotton still held mainly in Northern America, agricultural surpluses remain one of the most pressing problems facing FAO in the commodity field, even though some progress towards bringing production into line with current consumption was made during 1956/57 in consequence of special measures initiated in the last three years by the United States Government to increase consumption and exports and to cut down excess production. As noted in the Report of the Twenty-Eighth Session of the FAO Committee on Commodity Problems, this major commodity problem has not so far changed in character and its main underlying causes continue to operate. The scale of special disposal programmes has been stepped up, but while the facilities provided under such programmes have enabled some countries to increase their imports above what they might otherwise have been able to afford, the growing intensity of these programmes has caused concern among exporting countries anxious to participate in any openings for increased import demand on commercial terms in their traditional markets.

In this situation, FAO's activities in the field of surpluses have continued to focus on the following four major issues:

1. Observance of FAO principles of surplus disposal;
2. intergovernmental consultations;
3. ways of reducing existing surpluses; and
4. causes of surpluses.

### Observance of FAO Principles of Surplus Disposal

The value of the FAO principles on surplus disposal, drawn up in 1954 and formally accepted by thirty-eight Member Governments, was re-affirmed by the Committee on Commodity Problems at its Twenty-Eighth Session. The Committee stressed the need both for the flexible interpretation of these principles and for their practical application through frank and friendly consultations among



interested governments. As regards the practical observance of these principles, the replies to the questionnaire on surplus disposals drawn up by the Committee on Commodity Problems at the Conference request have now been analyzed by the CCP Consultative Sub-Committee on Surplus Disposal in Washington. The questionnaire which was sent to all FAO Member Governments, asking for certain information about transactions in surplus wheat and dairy products during 1954-56 was replied to by fifty-one exporting and importing countries. The "effective" replies (i.e. either a reasonably complete questionnaire or a reply stating specifically that no surplus had been imported) cover importing countries accounting for about 70 per cent of world imports of wheat and 80 per cent of dairy products (butter, cheese and dried milk).

The Sub-Committee considered that the questionnaire produced a great deal of interesting material and some valuable information on the methods of distribution.<sup>1</sup> At the same time, the questionnaire method, as such, could not, in its opinion, secure adequate details for judging the consistency of particular transactions with the FAO principles. The Sub-Committee has recently proposed a series of pilot research studies aiming at a detailed case-by-case analysis of particular uses of agricultural surpluses, such as

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<sup>1</sup>It showed, for example, the relative importance of various types of surplus disposals of wheat and dairy products in international trade and in relation to commercial imports of particular countries. Thus, fourteen recipient countries imported 4.3 million tons of surplus wheat and a further group of fourteen countries imported 380,000 tons of surplus dairy products in the period June 1954 to June 1956. These quantities accounted for about 10 per cent of total world imports of wheat (40 per cent of total wheat imports of the group but rising to 90 per cent of total imports in individual cases), 10 per cent of butter and cheese, and 40 per cent of total dried milk imports (but accounting for virtually all imports of dairy products in some countries). On the whole, a large part of the surplus wheat was purchased for local currencies or on special credit terms, and was sold into regular domestic channels at roughly the ruling market prices (with special controls over distribution being apparently imposed in only three out of the total of the fourteen countries). By contrast, most of the surplus dairy products were grants distributed free and directly through welfare programmes, often under official supervision.

emergency and famine relief, economic development, special feeding programme, etc., in selected underdeveloped countries.<sup>1</sup> The Sub-Committee also decided that information on the activities of intergovernmental or non-governmental agencies engaged in improving consumption, especially through the use of surplus foods, would produce useful supplementary information on surplus disposal programmes in recipient countries. Arrangements were made to invite representatives of a number of such organizations to explain their programmes.

#### Intergovernmental Consultations

While the Committee on Commodity Problems gives special attention to surplus disposal questions at its regular sessions, supplementary and continuous consultations on such matters take place throughout the year at the regular monthly meetings of the Consultative Sub-Committee on Surplus Disposal and its sub-groups in Washington. The Sub-Committee keeps under regular review developments in the field of surplus disposal, and serves as a forum for discussion of proposals, programmes, policies and transactions of Member Governments, for the disposal of agricultural surpluses in the light of the FAO principles. In recent months, for example, the Sub-Committee received further statements from the United States delegate concerning consultation procedures followed in the disposal of surpluses under Public Law 480 and Section 402 of Public Law 665 as well as one concerning consultations with Argentine in negotiating the Brazil/United States Agreement under Title I of Public Law 480. The Sub-Committee continued discussions on the major Title I agreements under Public Law 480, i.e. the India/United States and Brazil/United States Agreements. It also considered some developments in the surplus dairy products situation in the light of the statements presented by the delegates for New Zealand, United States, Denmark and the United Kingdom.

Reporting recently on this aspect of the work of the Washington Sub-Committee, the Committee on Commodity Problems expressed its satisfaction that the regular discussions in Washington have led to a better understanding, both of the surplus disposal programmes and procedures and of the nature of the problems these special transactions cause to other exporting countries.

#### Ways of Reducing Existing Surpluses

The Committee on Commodity Problems and the Washington Sub-Committee are giving special attention to developing methods of disposing of agricultural surpluses in line with the FAO principles. Believing that the long-term solution of the problem lies in increasing consumption, the CCP has sponsored

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<sup>1</sup> An ad hoc group of experts met in Washington in June 1957 to advise on ways of studying national experience in the use of food surpluses. The group drafted a preliminary outline for these studies and prepared a list of questions to be considered for each type of use involved. It made also a number of suggestions in regard to the organization of the studies.

FAO dairy surveys in underdeveloped countries to determine possibilities of increasing consumption. More requests have recently been received by FAO to examine such possibilities. The main dairy exporting countries on the Washington Sub-Committee - Australia, Canada, Denmark, the Netherlands, New Zealand and the United States - sponsored a second team of experts which visited Pakistan in September to formulate plans of international co-operative action on the lines of the Calcutta scheme. New requests have been received by FAO for similar assistance in Bombay, Poona and Burma.

The subject of national food reserves against crop failures and other emergencies, to be built up from imported surpluses without disturbing the normal patterns of trade and production, has also received a good deal of attention during the past year. The subject was raised at the Economic and Social Council of the United Nations and subsequently at the General Assembly last February. The General Assembly asked for an analysis to be made of the possibilities and desirability of promoting the use of surplus foodstuffs in building up national food reserves, and at the request of the United Nations, the Director-General has since accepted responsibility for the main part of this analysis to be carried out by FAO. The Washington Sub-Committee on Surplus Disposal had already examined the conditions and safeguards that should be observed when setting up national food reserves, in order to avoid disturbance to normal trade and to ensure that the reserves will result in genuine additional consumption in line with the FAO principles. At the request of the Committee on Commodity Problems, it has since reviewed the matter in the light of the General Assembly's decision.

#### Causes of Surpluses

While the Washington Sub-Committee remains FAO's main body for dealing with surplus disposal problems, the FAO's specialized commodity groups concern themselves from time to time with special aspects of the surplus problem. For example, the FAO Group on Grains, set up by the Committee on Commodity Problems in March 1957, is undertaking a fundamental study of the causes of the present imbalance in wheat and coarse grains situation, distinguishing between its more and less permanent aspects. In the light of these findings, the Group will explore ways, especially in the field of surplus prevention, to reduce present maladjustment in the international grain economy.