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DISPOSAL OF COMMODITY SURPLUSES

Activities of the Food and Agriculture Organization

(Note by the GATT secretariat)

The following is a brief review of recent activities of the Food and Agriculture Organization of the United Nations in the field of surplus disposal. This is submitted for the information of delegates in considering the item: "Disposal of Commodity Surpluses" on the Agenda of the Thirteenth Session of the CONTRACTING PARTIES.

The problem of surpluses may well be considered as a permanent feature of the world agricultural economy. In 1957-58 exportable surpluses generally remained large and the agricultural surplus problem affected a growing number of commodities and countries. In most regions agricultural output continued to rise under the impetus of national support policies, technological advances and favourable weather. In Europe supplies of dairy products became increasingly heavy and in Latin America considerable stocks of coffee were accumulated. North American stocks of grains were still large despite some reductions in wheat inventories. The world surplus of cotton, however, has eased considerably as a result of lower export prices, larger consumption in importing countries and smaller output.

The FAO's activities in the field of surpluses have continued to focus on the following four major lines:

1. operation and adequacy of FAO Principles of Surplus Disposal;
2. inter-governmental consultations to ensure the observance of FAO Principles;
3. ways and means of reducing existing surpluses and of moving them into additional consumption;
4. the study of the causes of surpluses.

Operation and adequacy of FAO Principles of Surplus Disposal

The FAO Principles were drawn up by the FAO Committee on Commodity Problems (CCP) in 1954 and have been formally accepted by thirty-eight Member governments. They are based on the underlying principle that excess stocks should be disposed of in an orderly manner so as to avoid undue pressure on markets and harmful interference with normal patterns of production and international trade. The CCP has instructed its Consultative Sub-Committee on Surplus Disposal to examine and report on the operation and adequacy of the FAO Principles over the past three years, and to recommend possible ways of ensuring that the disposal of surpluses is made without harmful interference with normal patterns of production and international trade. The necessary examination is in hand and the Sub-Committee's report

will be submitted to the CCP in the near future. The Sub-Committee has adopted a definition of surplus disposal which was approved by the CCP at the Thirtieth Session. This definition reads as follows: "Surplus disposal of an agricultural commodity in international trade is an export operation (other than a sale covered by an international commodity agreement) arising from the existence or expectation of abnormal stocks, and made possible by the grant of special or concessional terms through government intervention".

Inter-governmental Consultations

While the CCP 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 consists of twenty-eight Member governments, with thirty governments and seven international organizations represented as observers. 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. The CCP at its Thirtieth Session considered a Report by the Sub-Committee on ways to strengthen the consultative machinery and procedures of the Sub-Committee itself. The CCP noted with satisfaction that the practice of advance notification of surplus disposal transactions on the part of exporting countries was becoming more general and requested the Director-General to draw FAO Member governments' attention to the conclusions of the Sub-Committee on certain changes in procedures and machinery which the Sub-Committee was suggesting in order to improve the effectiveness of inter-governmental consultations on surplus disposal. In particular it was concluded that:

"There should be agreement in principle for consultation on a bilateral basis between countries exporting surplus and interested third-party countries before arrangements are concluded with recipient countries and also during the currency of a programme. Importing countries would be expected to consult with interested exporting countries if requested to do so.

"The Sub-Committee should act as a forum to which third-party countries might subsequently refer specific complaints if they did not consider that their views had received sufficient consideration, or if there had been no bilateral consultations.

"Written agreements should include specific provision that it was the intension of the parties thereto that sales of surpluses should not interfere with normal patterns of production and trade of FAO Member countries subscribing to the Principles of Surplus Disposal. In cases where no such provision can be made because, for instance, the advantages of the transaction to the economy of the receiving country are deemed to outweigh other considerations, it should be the responsibility of the parties concerned to bring before the Sub-Committee their reasons for the exclusion of the provision.

"Wherever possible, Member governments should inform the Sub-Committee in advance of proposed changes in policy on surplus disposal."

Ways of Reducing Existing Surpluses

The CCP 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 Sub-Committee prepared pilot research study outlines on the use of surpluses for economic development, emergency/famine relief and special feeding programmes. The attention of interested governments has been called to these studies and it was hoped that projects along these lines would be undertaken. A study on the experience with surplus disposal in Japan, prepared by the secretariat of the ECAFE, has been submitted to the Sub-Committee and is now under its consideration.

A report has been completed on the subject of national food reserves against crop failures and other emergencies. The reserves would be built up from imported surpluses without disturbing normal patterns of trade. Moreover, following a request by the United Nations General Assembly and by the Economic and Social Council, the FAO secretariat has prepared a Report on National Food Reserve Policies in Under-developed Countries. The Economic and Social Council at its last session in summer 1958 considered the FAO Report and generally concurred with its conclusions.

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. The FAO Group on Grains, for example, has undertaken a fundamental study of the causes of the present imbalance in the wheat and coarse grains situation. In its Report, the Group points out where governments might usefully seek solutions to present problems and sets out a series of recommendations on these questions for consideration by governments when studying changes in grain policies.

The CCP conducted an examination of the world butter situation, particularly in the light of serious surpluses in Western Europe. Several recommendations were made aimed at increasing domestic consumption and the review of national dairy policies. The butter situation is to be reviewed again by the CCP at its next session in late spring 1959. At that time the CCP will consider a report prepared by the FAO secretariat, in consultation with government experts, on National Dairy Policies and their International Effects.