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DISPOSAL OF COMMODITY SURPLUSES

Activities of the Food and Agriculture Organization

Note by the GATT secretariat

1. The following brief note on the activities of the Food and Agriculture Organization of the United Nations is submitted for the information of contracting parties in connexion with the item "Disposal of Commodity Surpluses" on the agenda for the fifteenth session of the CONTRACTING PARTIES.
2. Agricultural output and world surpluses of major agricultural commodities have continued to increase. At the end of the 1958/59 season, there were further carryovers in the case of several commodities, despite the special export measures and disposal programmes which continued to be operated in various countries. Due mainly to increased stocks in the United States, where the 1958 crop was 54 per cent higher than in 1957, world stocks of wheat increased by 20 per cent. There were also marked increases in world stocks of coffee (30 per cent), sorghum (60 per cent) and maize (23 per cent). In the case of cotton, stocks declined in importing countries but there was a further increase in exporting countries other than the United States. The existence of surpluses, which might well be considered a semi-permanent feature of the world agricultural economy, continues to be a matter of concern to many countries.
3. In the main, FAO's activities in this field have continued to be focussed on the following:
 - (a) operation and adequacy of the FAO Principles of Surplus Disposal;
 - (b) inter-governmental consultations to ensure the observance of the FAO Principles;
 - (c) ways and means of reducing existing surpluses, including stimulation of increased consumption;
 - (d) study of the causes of surpluses.

Operation and Adequacy of FAO Principles of Surplus Disposal

4. "Principles of Surplus Disposal and Guiding Lines for dealing with Agricultural Surpluses" were drawn up by the FAO Committee on Commodity Problems (CCP) in 1954. The Principles, which have been accepted by thirty-nine Member governments, are based on the underlying consideration that surplus stocks should be disposed of in an orderly manner so as to avoid disturbances in world markets and harmful interference with the normal pattern of production and international trade.

5. Towards the end of 1957, the CCP instructed its Consultative Sub-Committee on Surplus Disposal in Washington to examine and report on the adequacy and operation of the FAO Principles in the light of experience gained during the past few years. The Sub-Committee has submitted two reports to the CCP, one on the effectiveness of the consultative machinery and procedures which it has established and used during the years of its operation, and the other on the adequacy of the Principles themselves. Both of these reports will be considered by the Tenth FAO Conference in November 1959.

6. In its report on Consultative Machinery and Procedures, which was submitted to the CCP in June 1958, the Sub-Committee made certain suggestions for improving the effectiveness of inter-governmental consultations on surplus disposal. The Sub-Committee's main conclusions were set out in document L/874, circulated to contracting parties in connexion with discussion of the agenda item "Disposal of Commodity Surpluses" at the thirteenth session of the CONTRACTING PARTIES.

7. The Sub-Committee's second report, on the adequacy of the FAO Principles themselves, was considered by the CCP in June 1959. In the report the Sub-Committee expressed the view that, in general, the Principles continued to be adequate although it considered that certain concepts at present contained in the Guiding Lines could with advantage be incorporated in the Principles. In the view of the Sub-Committee, the effectiveness of the Principles depended, inter alia, on:

- (a) knowledge of the existence and form of the Principles by governments and by administrative personnel therein;
- (b) full acceptance per se of these Principles by governments;
- (c) utilization of the Principles by law makers and administrators as a guide for international practice and behaviour.

With the aim of furthering the utilization and operation of the Principles, the Sub-Committee recommended that:

- (a) they should be re-stated, with appropriate historical data brought up to date;
- (b) their usefulness and validity should be reaffirmed at appropriate sessions of the CCP, the FAO Council and the FAO Conference;

- (c) the attention of Member governments should again be drawn to the FAO Principles and Guiding Lines and that those Member governments which had not already signified their agreement to adhere to the FAO Principles should be asked whether they were prepared to do so;
- (d) in the revised publication setting out the FAO Principles and Guiding Lines, there should be included a list of Member governments which, at the date of publication, had expressed their agreement to adhere to the Principles.

In 1960 the CCP will reconsider the question of amending the text of the Principles in the light of the discussions which will take place at the FAO Conference in November 1959.

Inter-governmental Consultations

8. Consultations on surplus disposal questions take place regularly throughout the year at the meetings in Washington of the Consultative Sub-Committee on Surplus Disposal and its sub-groups. The Sub-Committee, which consists of twenty-eight Member governments with thirty governments and seven international organizations as observers, has continued to review current problems in the field of surplus disposal and to serve as a forum where the proposals, programmes, policies and transactions of Member governments for the disposal of surpluses can be discussed. A wide range of problems have been considered by the Sub-Committee, including those arising from butter disposals in the United Kingdom market, disposals of dried skim milk, and the reduction in export prices of dairy products held by the United States Government.

9. Some transactions under Public Law 480 agreements have also been the subject of consultation within the Sub-Committee. On several occasions, overall surplus utilization programmes and legislation have been discussed, particularly with reference to various provisions of United States agricultural legislation and to the utilization of local currencies derived from transactions under Title I of Public Law 480 for the financing of agricultural research and market development projects.

10. At its Thirty-first Session in June 1959, the CCP welcomed the growing measure of consultation, both within the Sub-Committee and bilaterally, between countries exporting surpluses and countries interested in commercial trade in the commodities concerned.

The Reduction of Existing Surpluses

11. The CCP and its Washington Sub-Committee continue to give special attention to developing methods for the disposal of agricultural surpluses in line with the FAO Principles. Efforts have been continued aimed at increasing international co-operative action for the promotion of milk development projects, the disposal of surpluses of skimmed milk powder and

the stimulation of milk consumption, particularly in areas of low consumption. The butter situation was again reviewed by the CCP at its Thirty-first Session in June 1959 and the Committee agreed that it would consider in detail at its Thirty-second Session in October the possibilities for future action in this field. The FAO is participating in the work of the Wheat Utilization Committee, recently established in Washington, which will consider possibilities of expanding commercial trade in wheat, of increasing and making more effective the utilization of wheat surpluses for economic development and the establishment of Guiding Lines for providing wheat to individual countries on concessional terms and for the safeguarding of commercial marketings. The FAO is also co-operating with the Washington Coffee Study Group, whose terms of reference are: "To undertake economic studies on production, trade and consumption of coffee with regard especially to problems arising from disequilibrium between world supply and demand of coffee and to promote the increase of world coffee consumption".

12. The FAO's proposed "Free the world from hunger" campaign aims to stimulate world-wide interest in the problem of hunger and measures to relieve it. Initially, the FAO plans to contribute to the programme by taking stock of the available information bearing on different aspects of the problem. Inter alia, it will carry out a study of national and international arrangements affecting distribution and trade in foodstuffs, including the problem of surpluses.

Causes of Surplus

13. The report of a Panel of Experts on Price Stabilization and Price Support was considered by the CCP at its Thirty-first Session and will be discussed by the Tenth FAO Conference in November 1959. The report sets out Guiding Principles to be taken into account by governments in establishing or reviewing their agricultural policies and, in some of the Principles, reference is made to the need to avoid the accumulation of burdensome surpluses. The Panel expressed the view that no special machinery should be set up in FAO for confrontation on agricultural price stabilization and support policies, but that new developments in regard to these policies should be kept under review by the FAO.

14. From time to time the specialist commodity groups of FAO examine aspects of the surplus problem. The Group on Grains, for example, has examined medium-term projections and trends and the factors which make for a further accumulation of stocks. In the report on its Fourth Session, held in May 1959, the Group reiterated the view which it had expressed in an earlier report to the CCP, namely that national support policies, together with technological advances, will continue to stimulate an output of wheat and other grains which cannot be absorbed by normal effective demand.