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DISPOSAL OF COMMODITY SURPLUSES

Activities of Other International Agencies

Note by the Secretariat

1. In keeping with arrangements made at the nineteenth session (SR.19/5), the secretariat has prepared this background paper for the information of contracting parties on activities of other international agencies in connexion with the agenda item - disposal of commodity surpluses. It will be recalled that the Council at its meeting in February-March 1961 (C/M/4) agreed that this item should be widened to cover action under the second Resolution of 4 March 1955 on the Liquidation of Strategic Stocks. (BISD, 3S, page 51). The present paper, therefore, also deals with this matter.
2. The previous secretariat paper on this subject (L/1587) gave an account of developments up to October 1961 in relation to the United Nations Resolution No. 1496(XV) on the Provision of Food Surpluses to Food Deficient Peoples through the UN System. It also referred to the FAO Principles of Surplus Disposal and Guiding Lines and gave an account of intergovernmental consultations held to ensure the observation of their FAO principles. The present paper is intended to supplement and to bring up to date the information contained in that document. It is divided into six parts as follows:
 - I. World Food Programme
 - II. Discussion of the World Food Programme in other forums
 - III. FAO Principles of Surplus Disposal and Guiding Lines
 - IV. Intergovernmental consultations relating to surplus disposal
 - V. Liquidation of stocks of primary products
 - VI. Annex - Pertinent reference documents
3. During the period under review, problems relating to the disposal of commodity surpluses in addition to being discussed in the General Assembly, the ECOSOC and the FAO and subsidiary bodies, were dealt with in detail by other international groups including the International Coffee Conference held in July 1962 and at the Conference of the International Wheat Council. In this connexion, Article 24(3) of the revised International Wheat Agreement which came into force on 31 July 1962 provides that "any exporting or importing country which makes excess wheat supplies available on special terms under a government-assisted programme undertakes to provide the Council promptly with detailed information relating to such agreements entered into and to report regularly shipments made under such agreements".

4. Matters related to the liquidation of stocks of primary products have been discussed during the period under review principally in the ECOSOC and in the report of the Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA) and in certain Councils or commodity groups including the International Tin Council, the International Lead and Zinc Study Group and the International Rubber Study Group.

I. World Food Programme

5. The eleventh session of the FAO Conference adopted, in November 1961, Resolution No. 1/61 on the Utilization of Food Surpluses - World Food Programme. At its sixteenth session the General Assembly adopted Resolution 1714(XVI) on the World Food Programme. These Resolutions provided for the establishment of an Intergovernmental Committee which was instructed to meet early in 1962 to prepare recommendations on the conditions and procedures for the establishment and operation of the World Food Programme.

6. The twenty-nation Intergovernmental Committee met in February 1962 to develop detailed procedures and arrangements for the establishment and operation of the Programme. The report of the first session of the Intergovernmental Committee recommended that the World Food Programme be administered jointly by a UN/FAO Intergovernmental Committee composed of ten members elected by the UN and ten members elected by the FAO, and a joint UN/FAO Administrative Unit located at FAO headquarters and reporting to both the Secretary-General and the Director-General.

The report of the Intergovernmental Committee suggested that further studies should be concentrated in fields such as the following:

- (a) the relationship between the expansion of food aid and of aid in other forms;
- (b) the relative merits of food aid and other forms of aid within a given total volume;
- (c) the scope of food aid in relation to the maintenance and expansion of commercial markets and the desirability and possibilities for developing consumption;
- (d) food aid in relation to agricultural production and agricultural development programmes in recipient countries;
- (e) the economic and technical implications of possible policies for reorientation of the commodity composition of agricultural output in order to meet the requirements of food deficient countries;
- (f) the respective merits of food and other forms of aid in relation to economic and social development.

7. The report recommended that the type of aid provided under the World Food Programme should be aid for the following purposes:

- (i) to meet emergency food needs and emergencies inherent in chronic malnutrition (this could include the establishment of food reserves);
- (ii) to assist in pre-school and school feeding;
- (iii) to implement pilot projects, using food as an aid to economic and social development, particularly when related to labour intensive projects and rural welfare.

8. The report of the Intergovernmental Committee was adopted by the FAO Council at its thirty-third session from 16-17 April 1962. The thirty-third session of the ECOSOC adopted Resolution 878(XXXIII) on procedures and arrangements for the World Food Programme. Under this Resolution it was agreed that the World Food Programme should be initiated with the minimum delay and that a Pledging Conference should be convened at the earliest possible date to attain the goal of \$100 million in commodities, services and money.

9. At the Pledging Conference held on 5 September 1962 a total of approximately \$86 million in cash, commodities and services was pledged by thirty-one governments to be distributed through United Nations channels over a three-year period. Pledges have been made so far by Governments of the following countries: Australia, Austria, Cambodia, Cameroun, Canada, Chile, China, Cuba, Denmark, Federation of Rhodesia and Nyasaland, Finland, France, Federal Republic of Germany, Holy See, India, Indonesia, Ireland, Italy, Japan, Morocco, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Philippines, Rumania, Sweden, Thailand, United Kingdom and United States.

II. Discussion of the World Food Programme in other forums

10. The OECD Committee for Agriculture at its sixth session, held from 22-23 May, discussed its report on the possible rôle of food in development programmes (AGR(62)22) which was prepared as a result of the discussions by the Ministers of Agriculture at their meeting of 10 October 1961. In its report the Committee made the following suggestions:

- (a) The Development Assistance Committee of the OECD has arranged to include food aid in its country examinations under the annual aid review procedure. Food aid programmes of member countries, and their contributions to multilateral programmes, might be made the subject of a special annual review by the Organization.
- (b) Member countries might inform the OECD of programmes of food aid which they intend to carry out.
- (c) In keeping with a request from FAO, the OECD might consider how countries receiving or likely to receive food aid under the World Food Programme might be assisted in finding any additional financing necessary.

- (d) The OECD might also examine other aspects of food programmes, such as their implications for trade and economic policy.
- (e) The OECD Committee for Agriculture might investigate and keep under review the long-term implications of food aid programmes for the agricultural and economic growth of OECD member countries, and for their capacity to assist the less-developed countries. The Committee might also investigate the contribution made by these programmes to the economic growth of under-developed countries. In view of the fact that certain OECD member countries in the course of development were potential recipients of food aid, the Committee might examine the possibilities for using food aid to contribute to the economic growth of the countries in question.

11. Resolution 54(IV) on the use of food surpluses adopted by the fourth session of the Economic Commission for Africa requests the Executive Secretary to report to the Commission at its fifth session on the progress of the World Food Programme (E/3586, E/Cn.14/168, p.125).

III. FAO Principles of Surplus Disposal and Guiding Lines

12. At the eleventh session of the FAO Conference held in November 1961 it was noted with satisfaction that the action undertaken by the Director-General in accordance with its Resolution No. 11/59 on the operation and adequacy of the FAO Principles of Surplus Disposal and Guiding Lines had resulted in increasing to forty-eight the number of member nations formally accepting the Principles. The Conference requested the Director-General to invite again member nations to signify their agreement to adhere to the FAO Principles and to take into account the Guiding Lines when entering into surplus disposal transactions. The Principles and Guiding Lines were discussed during 1962 in the CCP and in the Consultative Sub-Committee on Surplus Disposal with a view to their possible revision. It was decided that, due to the uncertainty of developments in the agricultural field, it would not be wise to embark upon a revision of the Principles and Guiding Lines at the present time.

IV. Intergovernmental consultations relating to surplus disposals

13. The eleventh Conference of the FAO agreed that the Consultative Sub-Committee on Surplus Disposal had provided a satisfactory forum for inter-governmental consultation on surplus utilization programmes and for the study of certain problems relating to surplus utilization, with particular reference to the need for such programmes to be in conformity with the FAO Principles of Surplus Disposal and Guiding Lines. It was agreed that the Sub-Committee should continue its activities along these lines. The Sub-Committee has continued to keep under review amendments to, and agreements under, Title IV of Public Law 480; and has continued its work involving pilot studies on the utilization of agricultural surpluses for economic development.

14. At the eighty-first meeting of the Sub-Committee held on 24 May 1962, it was confirmed during a discussion of the report of the thirty-fifth session of the CCP that the Sub-Committee would remain the principal consultative forum for the surplus problem and would continue to operate under its present terms of reference. The flexibility with which these terms were intended to be interpreted would assist the Sub-Committee in meeting new challenges under the broadening field of food aid and surplus utilization. At its eighty-second meeting, held on 26 June 1962, the CSD agreed to set up a working group for the balance of 1962 with the following terms of reference:

"To review surplus utilization developments, including consideration of the international problems involved, and to keep the Sub-Committee informed; and to arrange for reports, where and when appropriate, on the current situation of individual commodities in surplus or in prospect of becoming so in the immediate future."

V. Liquidation of stocks of primary products

15. The Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA) has been charged by the Economic and Social Council with the co-ordination of the activities of individual commodity study groups and councils and other specialized agencies. In its 1962 Review of International Commodity Problems presented to the thirty-fourth session of the ECOSOC held from 3 July-3 August 1962, the Committee reviewed the question of Disposals from Non-Commercial Stockpiles. The Committee noted that during the period under review concern had been expressed about the possible harmful effects of rapid disposal of non-commercial stockpiles. This concern appeared to be related to an announcement made on 23 March 1962 by the Chairman of the United States Senate Armed Services Sub-Committee on the national stockpile, showing that for a number of strategic materials United States Government inventories were considerably above the stated maximum stockpile objectives. The announcement indicated that in some cases the quantities of commodities surplus to the objectives are substantial in relation to world production and consumption. For example, the surplus of tin was 164,000 tons, which compared with an average annual world consumption of 151,000 tons over the ten-year period 1951-60. In lead and zinc the surplus was about 50 per cent of annual world consumption. Producing countries apparently feared that these surpluses might be liquidated at a rate that would seriously affect the market and thus seriously affect their development plans.

16. The Committee noted that certain principles might be followed in surplus disposal. In the case of agricultural products, for example, rules had been accepted regarding the disposal of surplus commodities, including provisions for consultations and for protection of normal commercial channels. Insofar as liquidation of strategic stocks was concerned, however, certain safeguards existed against hasty disposal. In this connexion the Committee referred to the GATT Resolution of 7 March 1955 on the liquidation of strategic stocks.

The Committee in its report to the ECOSOC stated that the magnitude of the surplus stocks was at present such that the CONTRACTING PARTIES of GATT might wish to consider whether, under existing circumstances, forty-five days was sufficient protection. It noted that the laws of nations holding stockpiles also prevented rapid disposal of non-commercial stocks. In the United States, for example, notice of six months must be given and certain congressional action was required.

17. The Committee recognized the potential danger of the existing high level of non-commercial stocks and expressed the hope that any disposals would take place in an orderly way to prevent market disruption. In particular, it recommended that before disposals took place in any commodity there should be consultations between the government concerned and other interested governments through the appropriate commodity council or study group, where these existed. The Committee noted that some governments have already taken the opportunity to inform such groups of their plans and programmes for disposal. For example, in the case of tin, the United Kingdom Government disposed of stock through the buffer stock agency of the International Tin Council. The Committee hoped that this practice would be extended and that in future all aspects of such disposal would be thoroughly explored with commodity groups, where these existed, before announcements were made regarding disposal.

VI. ANNEX

PERTINENT REFERENCE DOCUMENTS

Resolutions and Recommendations adopted

1. 1714(XVI)
(General Assembly) World Food Programme
2. Resolution No.1/61
(FAO Conference
11th Session
November, 1961) Utilization of food surpluses -
World Food Programme
3. 878(XXXIII)
(ECOSOC) Procedures and arrangements for the
World Food Programme
4. 322
(Council of Europe) Recommendation on the Surplus Food
Utilization Fund (World Food Programme)
of FAO

Other documents

1. Twelfth Report to the CCP of the Consultative Sub-Committee on
Surplus Disposal. CCP/62/7. 7 March 1962.
2. Summary Record 81st Meeting of the Consultative Sub-Committee on
Surplus Disposal. CCP/CSD/SR/81. 24 May 1962.
3. Committee on Commodity Problems; extract from Report of 35th
Session (Rome, 25 April-5 May 1962). CSD/62/21.
4. Committee on Commodity Problems 35th Session - An information note
on Food Aid and Surplus Utilization. CCP/62/12. 23 March 1962.
5. Report of the Joint CICT/CCP Session 7-14 May 1962. E/CM.13/12/24.
6. Notice of Impending Agreements between the United States and Certain
Countries on Surplus Disposal Operations. CCP/CSD/62. 35-49.
May-June 1962.
7. 1962 Review of International Commodity Problems. The Report by the
ICCICA to the 34th Session of the ECOSOC, 3 July-3 August 1962.
(E/3614).
8. World Food Programme Intergovernmental Committee, First Session
Report to the Economic and Social Council and Council of the FAO.
12-20 February 1962. 62/B/18800P.

9. Commission on International Commodity Trade. Report to the Economic and Social Council on the 10th Session of the Commission held from 15-23 May 1962. (E/3644).
10. Fifteenth Semi-annual Report on Activities Carried Out under Public Law 480, 83rd Congress, 9 April 1962.
11. Summary of the Main Points of the FAO Study on Projects for Agricultural Commodities to 1970, contained in CSD/62/23 of 12 June 1962.
12. CCC/CSD Summary Record 82nd Meeting, 26 June 1962. CCP/CSD/SR/829. July 1962.
13. OECD Committee for Agriculture General Programme of Work 1962. AGR(62)15. 26 April 1962.
14. OECD Committee for Agriculture Report on the Possible Rôle of Food in Development Aid Programmes (Note by the Secretariat). AGR(62)22. 10 May 1962.