Attached is the provisional draft of part of the chapter on commodities to be included in the Annual Report. The sections distributed herewith deal with recent developments in Foodstuffs and Agricultural Materials. The text is subject to editorial changes and to minor factual modifications in the light of information which may be received later.

Contracting parties wishing to make suggestions are asked to forward them to the secretariat before 26 July 1962.
Foodstuffs

Production of most principal foodstuffs traded internationally, with the exception of cereals, continued to expand in 1961 (or the 1961/62 season), with particularly marked increases in meat, sugar, butter and tropical beverages. The persistent imbalance between supply and demand was manifested in further additions to stocks in exporting countries especially of coarse grains, butter, sugar, coffee and cocoa (mainly in importing countries). There was by contrast only a slight rise in wheat stocks in 1961, and for 1962 the FAO forecasts point to a substantial decline both in these as well as in the stocks of coarse grains. Rice was one of the few important foodstuffs where the world market was fairly well balanced. With respect to the volumes traded, estimates for 1961 indicate increases in most major items (see table p. 3) with the exception of wheat flour, mutton and lamb, which changed only very little, and of rice, as well as beef and veal, where there was a decline.

International prices of both temperate and tropical zone foodstuffs continued to weaken in 1961, reflecting an ample supply in exporting countries, and in several cases, also a growth of domestic production in importing countries. However, as regards certain cereals, a temporary setback in production, in conjunction with expanded import requirements, occasioned a firming in their prices which continued in the first months of 1962. On the other hand, the prices of sugar at one point (December 1961) struck a postwar low, and meat prices, among which those of beef and veal had been buoyant for a long time, declined substantially during the last year. Though the prices of most Arabica coffees, helped by the export quotas under which the supply to the world market was regulated, as well as by minimum export prices in the largest exporting countries, underwent only a slight decline, prices of cocoa, tea, and on several markets, of African Robusta, fell more.
### Volume of World Exports and Price Developments of Selected Foodstuffs, 1959-1961

**Volume du commerce mondial de certains produits alimentaires et évolution de leur prix, 1959-1961**

(thousand tons and percentages - milliers de tonnes et pourcentages)

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Quantities</th>
<th>Price change over preceding year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat - Froment</td>
<td>30455</td>
<td>33520</td>
</tr>
<tr>
<td>Wheat flour - Farine de froment</td>
<td>4361</td>
<td>4544</td>
</tr>
<tr>
<td>Barley - Orge</td>
<td>6406</td>
<td>5350</td>
</tr>
<tr>
<td>Maize - Maïs</td>
<td>10393</td>
<td>11715</td>
</tr>
<tr>
<td>Rice - Riz</td>
<td>6764</td>
<td>6961</td>
</tr>
<tr>
<td>Butter - Beurre</td>
<td>656</td>
<td>620</td>
</tr>
<tr>
<td>Meat - Vienne, total</td>
<td>3316</td>
<td>3272</td>
</tr>
<tr>
<td>Beef and veal&lt;sup&gt;b&lt;/sup&gt; - Bœuf et veau&lt;sup&gt;b&lt;/sup&gt;</td>
<td>976</td>
<td>945</td>
</tr>
<tr>
<td>Mutton and lamb&lt;sup&gt;b&lt;/sup&gt; - Mouton et agneau&lt;sup&gt;b&lt;/sup&gt;</td>
<td>444</td>
<td>480</td>
</tr>
<tr>
<td>Sugar - Sucre</td>
<td>14570</td>
<td>17152</td>
</tr>
<tr>
<td>Coffee - Café</td>
<td>2600</td>
<td>2632</td>
</tr>
<tr>
<td>Cocoa beans - Fèves de cacao</td>
<td>745</td>
<td>890</td>
</tr>
<tr>
<td>Tea - Thé</td>
<td>525</td>
<td>525</td>
</tr>
<tr>
<td>Bananas - Bananes</td>
<td>3687</td>
<td>3870</td>
</tr>
<tr>
<td>Citrus fruit - Agrumes</td>
<td>3175</td>
<td>3445</td>
</tr>
<tr>
<td>Tobacco, unmanufactured - Tabac, brut</td>
<td>704</td>
<td>756</td>
</tr>
</tbody>
</table>

<sup>a</sup>Estimated from incomplete data - Estimé à partir d'informations fragmentaires.

<sup>b</sup>Fresh, chilled, frozen - Fraîche, réfrigérée, congelée.

**Note:** Price series shown are quotations on important markets and have been chosen so as to be as representative as possible of prices in international trade.

Les séries de prix utilisées sont des quotations sur des marchés importants; elles ont été retenues comme aussi représentatives que possible des prix pratiqués dans les transactions internationales.

For sources see Appendix - Pour les sources voir l'Annexe.
Largely under the influence of a sharp rise in import requirements for wheat, especially in Western Europe and several countries in Asia, international trade in this commodity in 1960/61 (July-June) rose by over 7 million tons above the preceding season's level, reaching a record volume of nearly 39 million tons. Among the main suppliers neither Argentina nor France participated in the higher export trade, which was mainly shared by the United States, whose exports were nearly 4 million tons larger than in the preceding season, and by Canada and Australia, each of whose shipments rose by nearly 2 million tons.

For Western Europe the higher imports meant, presumably only temporarily, a break in the earlier trend towards diminished reliance on outside supplies which, with one important exception (a sharp rise in imports in 1956/57 due to crop failure), has been in evidence over the past decade. Net imports into the area rose from 7.5 million tons in 1959/60 to 11 million tons in 1960/61, with a particularly large increase in Italy, and a rise also in the United Kingdom, the Federal Republic of Germany and Spain. The appearance of mainland China as a substantial importer also contributed to the larger trade in wheat. These deliveries, mainly from Canada and Australia, started in the first half of 1961. Nearly 2 million tons were shipped in that period, and contracts concluded by December 1961 provide for further exports of over 6 million tons before the end of 1963. The lower world wheat output and higher import requirements provided an incentive to rising prices in the second half of last year especially on durum and hard wheats. Between June 1961 and January 1962 the export price of No. 1 Northern Manitoba rose from Canadian $1.70 to Canadian $1.90 per bushel, thus for the first time since the Suez crisis reaching the upper limit of the price range of the 1959 Wheat Agreement. United States export prices also rose, though less, whereas there were only very small increases in Australian and Argentine wheat prices, quoted in European markets.

Following mainly upon the expansion of exports in the two flows mentioned, and in addition larger sales to Japan, where wheat consumption for food is increasing in step with the growth of population, world wheat trade on a commercial basis last year increased more than shipments on concessional terms. This was in contrast to the situation prevailing for several years when world wheat trade had increased chiefly under government assisted programmes.

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1 The figure includes wheat flour exports of about 6 million tons (wheat equivalent). It excludes trade between countries in Eastern Europe and USSR.

2 While a large number of countries have at one time or another benefited from such arrangements, the main recipients have been: India, Pakistan, Egypt, Brazil, Turkey, Poland, Yugoslavia. The importance of these shipments is indicated by the following figures showing commercial wheat exports and those under special programmes from the four main exporting countries (together representing nearly 90 per cent of the total) in million tons:

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>16.3</td>
<td>14.5</td>
<td>15.1</td>
<td>20.6</td>
</tr>
<tr>
<td>of which USA</td>
<td>3.7</td>
<td>3.8</td>
<td>3.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Special</td>
<td>7.8</td>
<td>10.5</td>
<td>11.8</td>
<td>13.9</td>
</tr>
<tr>
<td>of which USA</td>
<td>7.2</td>
<td>8.2</td>
<td>10.2</td>
<td>12.9</td>
</tr>
</tbody>
</table>
Altogether, the non-commercial exports made up about one third of total world wheat exports in 1960/61. As, in addition, about one fifth was traded under various bilateral arrangements, slightly less than half of world wheat trade took place entirely outside various programmes and arrangements.¹

Although trade data covering the whole of 1961 are not yet available, the estimates of production provide some indication of the likely development in the current season. In the four main exporting countries production in 1961/62 will probably be about 18 per cent, or some 10 million tons lower than in the preceding season. Output in most European countries, with Italy as the main exception, will also be smaller, and net imports into Western Europe should be at least as large as in 1960/61. Imports by mainland China are continuing high, and as requirements are larger also in Japan, South America and North Africa, the total quantity traded will probably increase further.² For the first time since 1956 a reduction in world carryover stocks of wheat is in sight; in the four principal exporting countries where stocks remained almost unchanged at about 53 million tons for three years, at the end of the 1961/62 season they may become reduced to about 46 million tons mainly because of a reduction in Canada from 14 to 8 million tons. The decrease in the United States would be only slight, from 38 to 37 million tons. This would mean some easing of the pressure on the supply side, but since "normal" stocks would amount to less than 25 million tons³, the reduction would provide only a partial solution to the surplus problem.

At its review in November 1961, the Wheat Council confirmed its earlier findings, according to which the long-term imbalance between supply and commercial demand for wheat is the outcome mainly of government intervention in production and trade, technological factors, and divergent trends in consumption in different regions. The Council further considered that as the prospects for a rise in trade in 1961/62 and the probable reduction in stocks are to a large extent the outcome of adverse weather conditions, they will have only a temporary effect on the long-term trend. Nevertheless, it is also held that the new United States production programme, aiming at limiting acreage sown to wheat, could contribute towards reduced supplies.

¹According to the International Wheat Council, trade under programmes and arrangements covered about 52 per cent of the total in 1960/61.

²According to the Dominion Bureau of Statistics (Canada), exports of wheat and flour from the four main exporting countries in the period August 1961 - January 1962 were about 20 per cent larger in quantity than in the corresponding period a year earlier.

³On this question, see Review of the World Wheat Situation, International Wheat Council, November 1961, where "normal" stocks are defined as "those quantities that might be regarded as necessary for maintaining continuity of supplies and for protection against short crops and national emergencies".
The International Wheat Agreement was reviewed at the United Nations Wheat Conference in the beginning of 1962. The Conference adopted a redrafted agreement which, upon ratification by the governments, will become effective for a period of three years when the 1959 Agreement expires on 31 July 1962. The new text follows closely that of the 1959 Agreement. A principal change, which reflects the recent strengthening of wheat prices, relates to their range which will move between a minimum of $1.62\frac{1}{2}$ and a maximum of $2.02\frac{1}{2}$ per bushel, as against previous limits of $1.50$ and $1.90$. The Agreement continues to provide for an Annual Review of the world wheat situation by the International Wheat Council. The USSR, which did not accede to the earlier Agreement, took an active part in the Conference and signed the Agreement on 16 May. Its adherence to the Agreement implies that all important wheat producing countries now will fall within its purview.

Contrasting with the steep rise in wheat trade, the volume of world exports of coarse grains showed only a slight rise in 1960/61, principally because imports by Western Europe, which account for over four fifths of total imports of coarse grains (only about one third of wheat imports), at about 16.7 million tons, fell short of the preceding season’s volume by about 1\frac{3}{4} million tons; a high 1960 feedgrain crop in Europe reduced import requirements in that area and as the wheat harvest was of a low quality, a greater proportion than normally was used for animal feed. Though larger imports were recorded by several countries in Asia, in particular by Japan (a 60 per cent increase) and mainland China, world exports were, at 22.8 million tons, only about 400,000 tons larger than in 1959/60, the rate of increase, about 2 per cent, being much smaller than in the preceding several years. Disregarding the 1960/61 decline, which may turn out to be temporary, Western Europe’s imports of coarse grains have progressed rapidly over the past decade. Though production of coarse grains increased in Europe in the 1950’s, demand for feedgrains rose even more rapidly. Practically all countries in the area increased their net imports of coarse grains, the largest increases occurring in Denmark and the Netherlands, the two main exporters of livestock products in Europe.

Among main coarse grains, exports of maize continued to grow in 1960/61, accounting for 53 per cent of the total as against 48 per cent in 1959/60. Exports of rye also grew further, helped by the deliveries to mainland China. On the other hand, trade in barley continued its declining trend and the previous sharp rise in trade in sorghum and millet, mainly from the United States to Western Europe, came to a halt. Prices of coarse grains, which in the 1960/61 crop years were generally lower than in the preceding season, became markedly stronger in the last months of 1961. However, the rise in maize prices being notably smaller than in those of other coarse grains, in particular barley, a major part of the expected increase in coarse grain trade in 1961/62 may occur in maize.

These prices, expressed in Canadian currency per bushel at the IMF parity, refer to No. 1 Manitoba Northern Wheat in bulk, in store Fort William/Port Arthur.
As in the case of wheat, world stocks of coarse grains have continued to accumulate. The total amounted to about 81 million tons in mid-1961 (of which 77 million in the United States), an increase by 9 million in one year; this is substantially more in relation to world trade than the carryovers noted for wheat. While the upward trend in coarse grain carryovers has continued for almost a decade, the 1961/62 season may be expected to bring a reversal: a poor crop combined with cuts in the acreage of maize and sorghum in the United States, a smaller harvest in Western Europe and higher import requirements in some other countries, mainly Japan, could result in a level of trade permitting a reduction in stocks by some 5 million tons.

Trade in coarse grains under government programmes has been less important than in wheat. In the past few years the proportion was of the order of 15 per cent. In 1960/61 the rise in coarse grain exports was brought about entirely as a result of commercial transactions while there was a drop in trade within government programmes.

As a result of a Recommendation made at the meeting of Ministers within GATT in November 1961, the CONTRACTING PARTIES adopted procedures designed to establish the basis for the negotiation of practical measures for the creation of acceptable conditions of access to world markets for agricultural commodities. It was decided to begin the examination with cereals (wheat and coarse grains), and accordingly there was established a Group on Cereals, which held its first meeting in February 1962. The Group considered in an exploratory way possible solutions to international wheat problems.

The situation in the coarse grain market was reviewed by the FAO Group on Grains in May 1961. The Group noted with concern the continuing imbalance between production and consumption. The FAO Committee on Commodity Problems in May 1962 gave special attention to the effects of national grain policies.

The 1961 world exports of rice fell by 6 per cent from the level of 6.9 million tons reached in 1960. Exports from mainland China declined from over 1 million tons in 1959 (excluding sales to the USSR) to an estimated 300,000 tons in 1961. Under a five-year Agreement with Burma signed in January 1961, China has been buying rice in order to meet its export commitments with countries such as Cuba and Ceylon. Among the principal exporters in Asia lower supplies from Burma and Viet Nam were made up for by larger exports from other exporting countries, mainly Thailand and Pakistan. Egypt's exports, after a recovery in 1960, fell again in 1961. The United States shipped less than in 1960, but Italy, Spain and Brazil exported considerably more. Among main importers, Ceylon and Indonesia greatly increased their purchases. Taiwan and the Philippines, usually virtually self-sufficient, have imported significant quantities in 1961. On the other hand, the long-term downward trend in Japan's imports continued and, with the exception of some African countries, imports in other areas showed no increase.
Prices were markedly firmer in 1961 than in 1960; according to the FAO world index of export prices for rice, a fall by 7 per cent in 1960 was followed by an increase of a similar magnitude in 1961. It should, however, be noted that the increase took place mostly in free market prices, as there was only a slight upward movement in the prices which Burma applied to its major government-to-government export contracts.

The FAO-CCP Consultative Sub-Committee on the Economic Aspects of Rice, at its session in February 1962, reviewed, inter alia, the results of a long-term study on the world rice economy. It further examined the possibilities for setting up future markets as a means of reducing instability in international trade. It also took note of certain promotional measures taken by some countries for increasing rice consumption.

Imports of butter into the United Kingdom increased between 1960 and 1961 from 415,000 tons to 430,000 tons and home production from 38,000 to 49,000 tons. Stimulated by the decline in prices which occurred during 1961, consumption in the United Kingdom rose by about 8 per cent, and the large accumulation of stocks registered during 1960 was halted. Among the other European importing countries, the Federal Republic of Germany and Switzerland were able to increase their imports while those of Italy declined sharply. Though prevailing butter prices would have permitted imports into Italy as from October 1961, notwithstanding the minimum price system, the Government decided to introduce import licensing in order to avoid the risk of excessive supplies.

Total exports of butter from the major traditional suppliers, New Zealand, Denmark, Australia and the Netherlands, failed to increase in 1961. By contrast, exports from Ireland and in particular from France increased sharply. The latter country, which had been a net importer in 1959, became a net exporter at the rate of 8,000 tons in 1960 and 51,000 tons in 1961. The increased exports from France were directed not only to the United Kingdom market, which absorbed 10,000 tons more in 1961 than in 1960, but also to Algeria and Eastern European countries. French imports from the traditional suppliers, which amounted to 14,000 tons in 1960, disappeared in 1961.

Following the sharp drop in butter prices in the London market, due to persistent oversupply, consultations were held within the GATT twice during the first half of 1961, at the request of New Zealand. Later that country was joined by Denmark in a request for anti-dumping measures. In a further round of GATT negotiations between the United Kingdom and the main suppliers in September, it was agreed to limit deliveries to the British market during October 1961 - March 1962. This arrangement was followed by measures taken by the British Government to put a ceiling on imports from all sources during the same period. The global amount of these quotas was fixed at 212,000 tons, about 22,000 tons below the actual imports in October 1960 - March 1961. The country quotas were fixed on condition that if exceeded by any one supplier, such imports would be met by anti-dumping duties.\(^1\)

\(^1\)This in fact happened vis-à-vis imports from Ireland.
As a result of this ceiling on imports, London butter prices recovered somewhat towards the end of 1961. However, as it was evident that the surplus situation in the butter market would continue, discussions were held within the GATT in January 1962 for the purpose of extending the voluntary limitation of shipments to the United Kingdom and also for working out a long-term solution to the whole butter problem. As it did not prove possible in these discussions to reach an agreement, the United Kingdom Government revoked the open general licence as from 1 April 1962, after which butter imports have been subject to individual licensing. The new quotas for the ensuing twelve-month period total about 396,000 tons, i.e. 15,000 tons less than in the corresponding anterior period (April 1961-March 1962) and 32,000 tons less than in 1960/61. In addition to the consultations held within GATT, intergovernmental discussions on butter were held during 1961 in the FAO Committee on Commodity Problems, in the OECD and the EEC.

In 1961 world output of meat increased by some 4 per cent or about 2 million tons, of which about half was accounted for by beef and one third by poultry meat. Exports of all meats from the main suppliers were at about their 1960 level, a small decline in exports of carcass beef and veal being more than offset by increases in exports of canned meat, mutton and lamb, and poultry meat.

For beef and veal, production in 1961 rose by about 8 per cent in Western Europe and by 4 per cent in the United States, following the movement which began in 1960; in the four main exporting countries in the Southern Hemisphere (Argentina, Australia, New Zealand and Uruguay), production recovered from the low level registered in 1960. Though world exports of carcass beef and veal declined in 1960 and 1961, trade in live cattle expanded rapidly and it seems that total trade in beef and veal (including live cattle) increased slightly during this period. Trade among European countries continued to increase and represented in 1961 about half of world trade; sales of live cattle, mainly from Ireland and Denmark, but also from Yugoslavia, Austria, France and the Netherlands principally to the United Kingdom, the Federal Republic of Germany and Italy played an important and growing rôle in world trade in beef and cattle. By contrast, European imports from the overseas suppliers declined sharply in 1961, in connexion with the measures taken in Italy - where total imports were reduced by more than one third - and because of the substitution in the United Kingdom of chilled and frozen meat by live cattle and fresh meat supplied by European countries. Imports into the United States (which became important only in 1958) reached a new peak in 1961 after a decline in 1960; Mexico and Canada, which export mainly live cattle, and Australia and New Zealand, which supply mainly manufacturing beef, shared equally in this increase.

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1 In thirteen Western European countries, for which OECD figures are available, stocks on 1 January 1962 amounted to 133,000 tons, about 15,000 tons more than a year earlier.
Total exports from the four main producers in the Southern Hemisphere remained unchanged between 1960 and 1961, the decline in supplies to European countries being offset by increased imports of the United States. However, Argentina and Uruguay, which are more dependent on sales to Europe, suffered a decline in that market, while Australia and New Zealand were able to increase their total exports. Three countries in Western Europe, Ireland, Denmark and France, hold a dominant position in cattle and fresh beef trade. Exports from Denmark remained stable between 1959 and 1961 while those from Ireland, where the weather conditions had been unfavourable in 1959 rose last year. There was a particularly sharp increase in France: net exports, which amounted to about 25,000 tons (carcass weight) in 1959, reached 120,000 tons in 1961, close to the level of the Danish exports. According to the current Five-Year Plan the quantities available for exports should increase considerably in the near future, and reach the 300,000 tons mark towards 1965.

Wholesale prices of beef and veal, which rose steadily between 1956 and 1960, when world production remained stagnant, weakened substantially in 1961 parallel with the rise in production in the United States and Western Europe. In the United Kingdom market, average quarterly prices for English long sides in 1961 were 12 per cent below the 1960 level, and the import prices for Argentine chilled sides and Australian frozen sides were 9 and 13 per cent lower, respectively. Retail prices in most countries failed to follow the downward movement in wholesale prices.

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1 In Argentina, the decline in exports of chilled beef has been offset by increased exports of canned beef to the United Kingdom and the United States.

2 The export targets for all meat (including live animals) are set within the range of 330,000 to 370,000 tons. From the indications given in the Plan the bulk of these exports should consist of cattle and beef.
Though world trade in mutton and lamb continues on the import side to be dominated by the United Kingdom, the United States, Canada and Japan have in the past two or three years emerged as markets of some importance; they took about 50,000 tons in 1960 and increased imports further in 1961. The United Kingdom imports, at 352,000 tons, were on the other hand, nearly 30,000 tons smaller than in 1960 following a rise in domestic production. Exports from New Zealand and Argentina were lower, whereas Australia's export volume remained unchanged. Though prices in the United Kingdom market recovered somewhat towards the end of 1961, the average for the year was about 17 per cent lower than in 1960, thus reverting to the low 1959 level.

As already mentioned, the production of poultry meat increased sharply during recent years, in the United States as well as in Western Europe. World exports also rose at a very high rate, more than doubling between 1958 and 1961, reaching last year a volume of 275,000 tons, or about 12 per cent of world trade in all fresh, chilled and frozen meat. Two countries, the Federal Republic of Germany and Switzerland, account for about three quarters of world imports, while the United States, Denmark and the Netherlands account for about three quarters of world exports. There has been a particularly striking increase in exports from the United States to the Federal Republic of Germany.

The volume of world trade in sugar rose from 16.8 million tons in 1960 to 18.6 million tons in 1961. While imports by Western Europe, where there was an abundant beet crop, and by United States declined somewhat, shipments to the USSR and mainland China, mainly from Cuba, more than doubled, rising from 2.1 million tons in 1960 to 4.8 million tons in 1961.

After imports of Cuban sugar into the United States were barred in 1961, the import quota was redistributed among other suppliers, resulting in sharp increases in supplies both from the Western Hemisphere (especially Brazil, Peru and Mexico) and from certain other sources e.g. Australia, India and Taiwan.

The price of sugar in the free market was in January 1961, 2.93 cents per pound. The reduction of export quotas in February brought some strengthening but as supplies looking for markets were abundant, the price fell again and in

1It was only in 1960 that the USSR and mainland China emerged as major sugar importers; a five-year Agreement for the delivery of 5 million tons of sugar was concluded between Cuba and USSR in that year. Agreements with Eastern European countries and with mainland China have also been entered into by Cuba.

2Following the suspension of the No. 4 Sugar Contract by The New York Coffee and Sugar Exchange, the price used for implementing the International Sugar Agreement was, as from 30 May 1961, determined by calculating the arithmetical average of the London Daily Price and the New York No. 8 spot price for that day after conversion of these prices to a United States cents price per lb. f.a.s. Cuban port. In case the difference between the two adjusted prices is more than six points, the average is arrived at by adding three points to the lower price.
December 1961 it was no higher than 2.21 cents, the lowest post-war quotation. While low prices ruling in 1961 stimulated world consumption, which rose at a much higher rate than in 1960, sugar stocks nonetheless showed no tendency to decline. According to FAO estimates, the rise in consumption may be smaller in 1962 but there will also probably be a lower harvest in Cuba, and in particular in Western Europe, which would have to import more. These circumstances may have prompted the substantial recovery of sugar prices, which took place in the first months of 1962.

The International Sugar Agreement was reviewed at the United Nations Sugar Conference in September-October 1961. As the Conference (reconvened in December), was unable to come to an agreement on the size of the basic export quotas to be applied in 1962 and 1963, the clauses regarding these quotas automatically lapsed on 31 December 1961; the other provisions of the 1958 Sugar Agreement will, however, continue in force until the end of 1963. Provision was made for reconvening the Conference at any time during the life of the present Agreement. In addition, the Sugar Council was requested inter alia to undertake a detailed study of the problem of stocks and prices, and to formulate a plan for promoting sugar consumption.

The United States import régime to be followed when the present Sugar Act expires on 30 June 1962, will be a factor of importance in the sugar market. United States import quotas were in January 1962 fixed only up to that date. The fact that Cuban sugar exports are no longer bound by quota limitations adds to the uncertainty.

Last year's situation with respect to tropical beverages, which are among the most important sources of export earnings of the non-industrial areas\(^1\), was once more characterized by record levels of production for cocoa and tea, while the 1961 coffee crop fell only slightly short of the previous peak volume. Though there was also a rise in world consumption of these products, large supplies continued to exert pressure on prices which, for the three commodities considered together, were about 8 per cent lower than in the preceding year. While prospects are for a further rise in world coffee stocks by mid-1962, cocoa stocks are likely to decline substantially. In contrast to the fairly well balanced situation in the tea market until now, there will probably emerge a surplus of production over consumption of this commodity in the near future.

World coffee production, which in 1960/61 fell about 15 per cent short of the 1959/60 record volume, almost reverted to that level in 1961/62. As world coffee imports rose only moderately, by 2 per cent in 1960 and by 5 per cent in 1961, stocks in exporting countries (mainly Brazil and to some extent Colombia and the Ivory Coast) continued to accumulate, even in the year of lower production. The large 1961/62 crop will be certain to bring about a further addition to these surpluses.

\(^1\)Coffee, cocoa and tea account for about 12 per cent of the total value of exports from non-industrial countries (excluding exports of petroleum).
While imports into the United States in 1961 exceeded those of 1960 by only 2 per cent, there was an increase of 7 per cent in Western Europe's imports (over 20 per cent in the Netherlands and the United Kingdom and over 10 per cent in the Federal Republic of Germany). Though imports by the USSR and Eastern Europe are still small (about 3 per cent of world total) they have risen rapidly under trade agreements with Brazil and certain other countries, and further increases are in sight for 1962. Substantial increases in imports occurred also in Canada, Australia and in particular in Japan.

Exports from Brazil in 1961 were only fractionally higher than in the preceding year, while those of Colombia fell for the second successive year. Both countries suffered heavy declines in their sales to the United States market, where instead several Robusta-producing countries in Africa were able to increase exports.

Although coffee prices in 1961 were on the whole near, or only slightly below, the levels noted in 1960, certain tendencies deserve mention. While Santos No. 4 in New York was only a little lower than in 1960, the prices of mild coffees fell substantially more: import prices of e.g. Salvador coffee in New York were about 8 per cent lower than in the preceding year. Prices of Robusta coffees, which had declined over a long period up to 1960 and remained unchanged in the first half of 1961, became markedly stronger in the second half, partly due to market-supporting measures taken by the Inter-African Coffee Organization, partly as a result of adverse weather and prospects for lower production in East Africa. The cessation of exports of low-grade coffee from Brazil may also have contributed.

Coffee stocks in importing countries were in mid-1961 slightly higher than a year earlier, and are expected to show some further increase in mid-1962, on account principally of larger stockholding by the United States. While stocks in Africa will probably decline, prospects are for a further addition to carryovers in South America. In mid-1961 Brazilian stocks amounted to about 3.5 million tons, half a million tons more than in mid-1960, and the increase anticipated by mid-1962 is of the order of 400,000 tons, which would make Brazil's coffee stocks equivalent to about a year and a half's world consumption. During 1961 steps were taken in the country to reduce the exportable part of the surpluses; a quantity of over 400,000 tons of inferior coffee was destroyed and the remainder was regraded according to more severe requirements concerning exports. It is being considered to use coffee destined only for the domestic market as a raw material for the production of certain chemicals and fertilizers.

^1There were, on the other hand, examples of large declines: Angola Ambriz in New York were on the average 22 per cent lower than in 1960.
Export quotas (for the first time mandatory) fixed under the International Coffee Agreement amounted to about 2.3 million tons in 1960/61, an increase by about 300,000 tons over the previous year prompted by the accession of the United Kingdom on behalf of Kenya, Uganda and Tanganyika, and by expanded imports. Nevertheless, certain producers in Central America, whose export prices fell more than those of others, agreed as a stabilizing measure to export less than their permitted quotas.

The Inter-African Coffee Organization, established in 1960, agreed at its first assembly in December 1961 that the strengthening of the position of Robusta coffee through maintenance of minimum prices and other measures, would be its leading policy objective.

The Coffee Study Group met in Washington in March 1962 to consider the draft long-term Coffee Agreement, submitted to member governments at the end of 1961. The agreement would comprise both producing and consuming countries, and be valid for a period of five years. Export quotas, to be re-examined after three years, would be based on estimated total world imports, and consuming countries would have to regulate imports from countries which remain outside the agreement. Minimum prices would further be fixed annually for various types and grades and production targets would be set for exporting countries in order to reduce over-supply and to bring production gradually more into line with requirements. A fund for the purpose of promoting diversification in agriculture by replacing coffee with other crops would be established. Though the draft text is certain to be amended in the light of the discussion at the March meeting, sufficient progress was made to enable the meeting to request the Secretary-General of the United Nations to convene a world coffee conference in 1962.

Stimulated by low prices, consumption of cocoa in Western Europe and North America rose in 1961 by nearly 10 per cent, and an increase of the same order is anticipated for 1962. World production of cocoa beans in 1960/61 was about 13 per cent larger than in the preceding year, mainly on account of a sharp rise in West Africa, and especially in Ghana. According to estimates made in March 1962, production in 1961/62 may increase more moderately and world stocks are expected to decline.

World cocoa beans exports in 1961 amounted to an estimated 990,000 tons, about 100,000 tons more than in 1960. However, different developments as regards both production and exports occurred in Latin America and in Africa. Due to adverse weather conditions, production in Brazil, which accounts for nearly half of that of the whole region, declined by more than 35 per cent and exports by

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1 Some increases in consumption have recently occurred in Japan, the USSR and Eastern Europe. Their consumption is still low but may soon become large enough to influence the world cocoa situation.
about 20 per cent. Production in other Latin American countries remained stable and exports declined by about 10 per cent. By contrast, production in the African countries, considered together, rose by nearly one third and their exports by one quarter. Increases in exports were shared by all the main producing countries except Spanish Guinea but were especially large in Ghana and Nigeria. In these countries earlier new plantings of trees which now began to produce, and improvements in agricultural techniques, brought about a remarkable increase in production.

Among main importing countries, there was a particularly large increase in purchases by the United States, which rose by about 40 per cent, or nearly 100,000 tons, though grindings rose by only 12 per cent. These increased imports came mainly from Ghana and Nigeria but also from other West African countries. The Netherlands and Italy imported about 30 per cent more, while there was only a slight increase in France, and a decline in the United Kingdom. Ghana and Nigeria were able to expand their trade with the Common Market countries, in spite of larger imports by the latter also from associated countries in Africa.

With the exception of a brief rally of cocoa prices in the last months of 1961, due to advance reports of a low 1961/62 harvest which later had to be revised, the price level was substantially lower than in 1960. The monthly average quotation for Accra f.o.b. New York was 22.6 cents per pound for 1961, as against 28.4 cents in 1960, and 44.3 cents as recently as in 1958. In the beginning of 1962 the quotation fell below the 1961 average.

In 1961 and the beginning of 1962 there have been a number of important developments in the marketing systems for cocoa in individual countries. According to new arrangements in Ghana, all buying is in the hands of a central governmental agency, the United Ghana Farmer's Council, and cocoa is now sold not exclusively from London as hitherto, but also from Accra. Similar measures were taken in Nigeria. Cocoa exports in Brazil which had been centralized, were returned into private hands.

At the meeting of the FAO Cocoa Study Group in April 1961, it was decided to prepare a draft international cocoa agreement. A text was examined and revised in October 1961. Briefly, the draft provides for basic quotas for exporting countries, representing in total an amount close to the requirements of importing countries. A council would review the cocoa market situation at the beginning of each quota year and, if prices are below a figure to be agreed, it would decide whether export quotas, representing a uniform percentage of the basic quotas, would be introduced. At its fifth session in May 1962, the Study Group decided to examine further the various aspects of an international agreement on cocoa, in particular the feasibility of basing the regulation of the market on sales quotas instead of on export quotas. The Group further requested the Director-General of the FAO to negotiate the convening of a world cocoa conference under United Nations auspices, probably sometime in the beginning of 1963.
A Conference was held in Abidjan in the beginning of 1962 between five countries representing about 80 per cent of world cocoa production. Reportedly, it was agreed to from a Cocoa Producers' Alliance for the purpose of regulating the marketing of cocoa, and working towards stabilization of cocoa prices.

Exports of tea rose from 525,000 tons in 1960 to an estimated 560,000 tons in 1961. Though they thus reached a record volume, the increase in production, which was shared by most tea-growing countries, was even larger. Indian exports increased from 193,000 to 204,000 tons while Ceylon exceeded her 1960 level of 186,000 tons by about 7,000 tons. African tea exports continued their steadily rising trend and those from Latin America (Argentina and Brazil), though still very small, are a new and interesting feature. Mainland China's exports (included in the above world total) have recently remained at a level of 40,000 to 45,000 tons.

Among consuming countries in industrial areas, only the United Kingdom imports were appreciably larger in 1961, and accounted for about half of the rise in world imports. Neither North American imports, nor those of continental Europe or Oceania moved much in the past few years. Expanding import markets are mainly those in North Africa and the Middle East. Tea prices in Calcutta and Colombo auctions, as well as in London, fell in 1961 slightly behind the 1960 quotations. In producing countries stocks at the end of 1961 were substantially higher than twelve months earlier.

Recent FAO studies\(^1\) draw attention to the possibility that world tea production may soon outstrip demand. Aggregate consumption in importing countries has over the past five to six years risen at a lower rate than world production, and it is only because of a substantial rise in the producing countries' own consumption that a satisfactory balance was achieved. However, important increases in production are scheduled to take place in e.g. India and some African countries over the next few years, and mainland China's export capacity may also expand.

With an increase of about 5 per cent in 1960, world banana imports reached the record volume of about 4.2 million tons. While this increase was shared equally by North America and Western Europe, there was in 1961 a decline in imports into the former area. As this decline was largely offset by the continuing expansion in European imports, to some extent because of smaller availabilities of other fresh fruit, last year's total volume traded probably remained close to the high level attained in 1960. The decline in United States imports in 1961 affected in particular Ecuador, whose total earnings from banana exports fell substantially for the first time in many years.

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Certain banana prices declined in 1961, for instance those at import into the United States from Central America, and also the preferential prices paid by France to suppliers in the franc area. Prices for imports into the Federal Republic of Germany from Colombia and Ecuador were, however, firmer.

Four Central American banana exporting countries, together with Colombia and Ecuador, in 1961 drew up an agreement for the purpose of establishing an Inter-American Banana Organization. While it is intended to improve, through sales promotion and research, the situation of their exports in the main markets, the Organization would not concern itself with any quantitative regulation of the market or with price stabilization.

After a drop in citrus fruit production in 1960/61, due to adverse climatic conditions, the upward trend was resumed in 1961/62. The accompanying decline in trade in 1960/61 resulted mainly in lower exports of oranges while total exports of lemons and grapefruit remained stable. The lower export trade in citrus fruit had its counterpart in smaller imports in several European countries, where domestic production of fruit was adequate, and was supplemented by larger imports of bananas, the price of which became more competitive. Prices of citrus fruit in 1960/61 generally averaged above those of the preceding season.

The FAO Group on Citrus Fruit, at its session in May 1961, continued to give attention to various activities designed to stimulate consumption of these fruits. The Group will hold a further meeting in the autumn of 1962.

Though there was a halt in the rising trend of tobacco production in 1961, mainly because of damage caused to European and North African cultures by blue mould, world trade in leaf tobacco continued to progress. According to provisional data, the 1961 exports exceeded by over 7 per cent the level of about 750,000 tons reached in 1960. While there were minor increases in exports from United States and Canada, record levels were achieved in the Federation of Rhodesia and Nyasaland for whose exports Commonwealth preferences and special sales arrangements with the United Kingdom provided a strong incentive. The country made inroads in the continental European market for flue-cured tobacco, where it had a price advantage over the United States. Also Turkey, Greece, Yugoslavia and India exported substantially more tobacco than in 1960.

Among main importers, the United Kingdom took in 1961 only slightly less than the exceptionally large quantity imported in 1960. The market may have been affected by the 10 per cent surcharge on imports introduced in July last year. By contrast, continental Europe imported substantially more due to the shortfall in the area's own production.

In spite of minor declines in certain export prices during 1961, e.g. those of Rhodesia and Nyasaland, and Turkey, the level was on the whole well maintained. Though data on tobacco stocks are incomplete, it appears that there was a decline during 1961 in some exporting countries e.g. United States, Canada and Greece, but a rise in the United Kingdom where stocks reached a postwar record figure, and in the European Common Market countries, in anticipation of the first step towards the gradual alignment to the common tariff on 1 January 1962.
Agricultural materials

Supply in this group expanded further during the period under review, several main items reaching record levels. In spite of unchanged production in the United States, world cotton production was at an all-time high in 1960/61 and may rise further in 1961/62. While wool production continued its slow growth, jute production in 1961/62 staged a major recovery after the previous scarcity. Among hard fibres the declining tendency in abaca production continued in 1961, but output of sisal and henequen showed further progress. Increased slaughterings made for larger availabilities of cattle hides in beef producing countries. World production of vegetable oils reached a new peak in 1961, principally on account of increases in groundnuts, coconut oil and olive oil. Soybean oil production was lower because of the smaller harvest in mainland China, while the situation in the Congo (Leopoldville) occasioned a fall in availability of palm oil and palm kernel oil. Production of fats and oils is likely to grow further in 1962. Output of natural rubber was again higher after the 1960 shortfall and represented a new record volume.

Stocks of cotton in the beginning of 1961/62 were at the same level as at the opening of the preceding season, whereas those of wool and jute were appreciably lower. Prospects for the end of 1961/62 are for a rise in cotton stocks, mainly on account of the United States. World natural rubber stocks, which in the beginning of 1961 were appreciably higher than twelve months earlier, declined during the year, both in producing and consuming countries. By contrast, carryovers of hard fibres (except abaca) were substantially higher.

Demand for agricultural materials in importing countries was not sufficient to bring about a higher level of trade for all items. Declining import requirements for raw cotton in Western Europe and the Far East occasioned a fall in world trade in this commodity. Demand for raw wool in the United Kingdom was slack, and the slight rise in world trade was due to higher imports by Japan and a few other countries. The decline in world trade in soft oils in 1961 seems to have been largely due to an increase in production of olive oil and butter in Western Europe, which led to a reduction of the area's import demand for soft oils. Though jute exports, which fell heavily in 1960/61 have recovered vigorously, the contraction in European mill consumption continues. A large part of the higher demand and larger imports of natural rubber in 1961 originated in the USSR and Eastern Europe, while the United States and Western Europe consumed less.

Prices of the commodities mentioned were generally slightly weaker in 1961. The only major increase (over 20 per cent) occurred in jute, while natural rubber suffered a decline of the same order. The stability in the vegetable oils group was the outcome of opposite movements in different items.
### VOLUME OF WORLD EXPORTS AND PRICE DEVELOPMENT OF SELECTED AGRICULTURAL MATERIALS, 1959-1961

**VOLUME DU COMMERCE MONDIAL DE CERTAINES MATIÈRES PREMIÈRES AGRICOLES ET ÉVOLUTION DE LEUR PRIX, 1959-1961**

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Quantities</th>
<th>Price change over preceding year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton b</td>
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<td>3670</td>
</tr>
<tr>
<td>Wool b</td>
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<td>850</td>
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<tr>
<td>Jute b</td>
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<td>Abaca</td>
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<td>99</td>
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<td>Sisal</td>
<td>570</td>
<td>522</td>
</tr>
<tr>
<td>Fats and oils c</td>
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<td>7995</td>
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<tr>
<td>Cattle hides</td>
<td>568</td>
<td>534</td>
</tr>
<tr>
<td>Natural rubber</td>
<td>2047</td>
<td>1872</td>
</tr>
</tbody>
</table>

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- **Commodities**: Cotton, Wool, Jute, Abaca, Sisal, Fats and Oils, Cattle Hides, Natural Rubber
- **Quantities**: in 1000 tons/tonnes
- **Price change over preceding year**: Variation 1959/1960
- **Units**: (1000 tons/tonnes) (--- percentages/percentages ---)

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*a Estimated from incomplete data — Estimé à partir d’informations fragmentaires.*
*Excluding butter; quantities expressed in oil equivalent. — Non compris le beurre; quantités exprimées en équivalent huile.*

**Note:** Price series shown are quotations on important markets and have been chosen so as to be as representative as possible of prices in international trade.

Les séries de prix utilisées sont des quotations sur des marchés importants; elles ont été retenues comme aussi représentatives que possible des prix pratiqués dans les transactions internationales.

*Sources see Appendix — Pour les sources voir l’Annexe.*
International trade in raw cotton in 1960/61 was, with about 3,670,000 tons, about 3 per cent lower than the record volume exported in the preceding season. World production and consumption were on the other hand fractionally larger and world stocks on 1 August 1961 showed no change compared with twelve months earlier.

This overall position was the outcome of divergent movements in main producing and consuming areas in the 1960/61 season. Production fell slightly in the United States, somewhat more in the USSR and Eastern Europe, but rose in some Latin American countries, in Egypt and in India. Mill consumption declined in the United States and the United Kingdom but rose sharply in the EEC and Japan. Stocks declined in the United States (for the second consecutive year) but they expanded in other exporting countries. Importing countries in Western Europe and the Far East replenished their stocks, thus continuing the recent tendency for a shift in world cotton stocks from exporting to net importing countries.¹

Mainly accounting for the decline in world cotton trade in 1960/61 were lower imports by Western Europe (as a whole), by the deficit countries in the Far East and, on the export side, the smaller shipments from the United States, partly imputable to the reduction in export subsidy from eight to six cents per pound, and lower sales also from Egypt, the Sudan and Peru, which had difficulties in placing their long-staple cotton on the market.

According to FAO estimates, there will probably be some further decline in world cotton trade in 1961/62, because of smaller requirements in main net importing areas. This forecast would seem to be confirmed by mill consumption data relating to the first half of the current season², which indicate lower figures in most European countries, in particular the United Kingdom and the Federal Republic of Germany, and also Japan. On the other hand, consumption has risen materially in North America but as United States cotton exports fell sharply in August 1961 - January 1962 to more than 20 per cent below the level of a year earlier, stocks on 1 August 1962 will again be higher in that country.

¹ In the beginning of the 1959/60 season these countries held 25 per cent of the total, one year later 29 per cent, and on 1 August 1961 about 32 per cent.

Import demand for United States cotton may however more recently have been stimulated by the advance announcement, in February 1962, that the export subsidy as from 1 August will remain at 8.5 cents per pound\(^1\); the level of trade may on the other hand be influenced by the fact that less cotton is moving under Government financed programmes in the current year.\(^2\) As was the case of cotton exports from the United States, those from Mexico and Egypt declined substantially in the early months of the 1961/62 season, but there were improvements over the preceding year in the Sudan, Turkey and Greece and in several South American countries.

With production and consumption in the 1960/61 season broadly in balance, there was no pressure on cotton prices; they remained stable with a slight upward tendency, which came to a halt in the first half of 1961/62. Prices of long-staple cotton which fell in the beginning of 1961, owing to slack demand in main importing countries, recovered later. The further development of cotton prices in general will depend decisively, except on the level of industrial activity, on the policy to be adopted in the United States with respect to prices paid to growers and to the export subsidy.

The International Cotton Advisory Committee, at its twentieth session in May 1961 expressed the hope that governments would give attention to the avoidance of excessive fluctuations in the world prices and to keeping internal support prices at a reasonable level; further, if governments find it necessary to impose export taxes, these should be neither excessive nor subject to frequent changes, and finally, changes in governmental cotton policies should be announced as far in advance as possible in order to prevent unnecessary confusion in the world market. The Committee, at its twenty-first session in May 1962, gave particular attention to the influence on the cotton situation of the policies followed by the United States, the largest producer and consumer of raw cotton. It welcomed the efforts currently made in that country towards assuring greater freedom in production and reducing or eliminating the difference between domestic and export prices. Clarification was sought as to the way in which the United States Government intended to utilize the stocks held by the Commodity Credit Corporation.

\(^1\)It should be added, however, that the amount of the subsidy is subject to change without notice.

\(^2\)During the 1960/61 fiscal year (July-June), about 2.0 million bales were authorized for delivery under various programmes, of which about 1.3 million bales under Title I of PL.480. The latter figure may drop to 1.1 million in 1961/62 and the total under programmes to 1.6 million bales. These figures should be compared with total United States cotton exports of 7.2 million bales in 1959/60 (August-July) and 6.6 million in 1960/61. (Cotton, Monthly Review of the World Situation, April-May 1962.)
In spite of unchanged production and a slight reduction of world wool consumption in 1960/61, international trade continued to rise. In 1961 (calendar year), the fifteen leading importing countries raised their combined imports by about 8 per cent, to a large extent as a result of the sharp rise in Japan (the second largest importer after the United Kingdom) by about one third. Among the main wool cloth producers, Belgium, the Federal Republic of Germany, France and the United States increased their raw wool imports, while imports by the United Kingdom and Italy declined.

The main movements in principal wool exporting countries in the 1960/61 season include slightly declining shipments from Oceania and South Africa which were more than made up for by heavier shipments from South America where carryovers were sizeable. During the part of the 1961/62 season for which data are available (i.e. up to end of March 1962), the development was in the opposite direction: Oceania and South Africa expanded foreign sales sharply, while Argentina and Uruguay suffered setbacks as these countries were apparently withholding exports in the face of declining prices, the impact of which was reinforced by high export taxes. Australia's sales to the United Kingdom continued to fall whereas those to Japan, since some time the main customer of Australia, continued to grow. In addition, the United States and the European Common Market were also expanding outlets for Australian wool in this most recent period, as they were for New Zealand and South Africa. In these widening markets Argentina and Uruguay lost ground.

Prices of merinos and crossbreds in 1960/61 averaged the former about 5 per cent and the latter 5-7 per cent, below those of the preceding season. With stocks in importing countries at a high level, prices weakened towards the end of 1961, and advanced only slightly in the first months of 1962. Short-term fluctuations in the prices of wool have been smaller during the last three years than during earlier seasons. While the level of synthetic fibres to some extent constitutes a ceiling for wool prices, support measures in exporting countries (other than Australia) may have had the effect of counteracting any more significant decline in prices.

The shortage of supplies which characterized the raw jute market during a large part of 1961 was overcome when the 1961/62 crop came on the market. Production in Pakistan recovered and is estimated to be one quarter larger than in the previous period. With a plentiful supply in sight also in the next season, prices have fallen sharply. As the extremely high prices quoted in 1960/61 made importers reluctant to cover more than their immediate requirements, they affected also the level of trade which fell in volume by about 37 per cent. Nevertheless, owing to the scarcity of jute in producing countries their total stocks had in mid-1961 been reduced to half their size a year earlier, those in Pakistan being indeed negligible.
Jute prices, which reached a peak in the first quarter of 1961, fell precipitously in the second quarter and, though the movement flattened out later, the decline continued well into 1962. To mention an example, Pakistan Mill Firsts at Dundee, quoted at about £212 per long ton in March 1961, in June fell to £150, at the end of the year to £131, and in March 1962 to £117 per ton. In judging this fall, it may however be remembered that even the lowest of these quotations was above the annual averages registered during the period 1954-1959.

With jute supplies at the beginning of 1962 once again in excess of current requirements, owing principally to slackness in European demand, and faced by rapidly mounting stocks, the authorities in Pakistan and India have introduced measures designed to maintain prices. In India mill consumption has been stimulated by derestricting loom operation, a more liberal licensing policy towards imports of raw jute from Pakistan and Thailand has been applied, import duties have been abolished and, after a two-year interval, the Government again authorized exports of raw jute. In Pakistan the maintenance of the minimum export price is a principal objective. While acreage restrictions on jute growing are removed as from the 1962 growing season, the Government also encourages the extension of productive capacity in the jute industry; several new mills are due to start operating this year.

Though there will be only a very small increase in raw jute exports from other countries in 1961/62, those from Pakistan will probably be of the order of 710,000 tons, about 170,000 tons more than in 1960/61, but still substantially smaller than in earlier seasons.

The question of setting up a Study Group on Jute and Allied Fibres within the FAO Committee on Commodity Problems in co-operation with the ECAFE, as suggested by Pakistan, is under investigation. An international conference in Dacca at the end of March 1962 discussed various methods for stabilizing jute prices, including the establishment of a buffer stock. Representatives of the European jute industry attended the conference. Though it was found that a buffer stock system could be made workable, the discussions did not lead to concrete proposals to this effect. The participants on the other hand agreed that it was necessary to find ways to stabilize prices.

Within the group of hard fibres, a decline in the Philippine production of abaca in 1961 stands in contrast to higher output of sisal in East Africa, where the acreage was increased during the preceding two years of high prices. Output of sisal also rose in Brazil (where it finds increasing use as a material for paper making) and of henequen in Mexico. Production of abaca in the Philippines suffered greatly from adverse weather and plant disease. Moreover, producers have turned increasingly to more remunerative crops, such as sugar and rice. These movements reflect the relative decline of abaca within total world production of hard fibres, which in the past three years changed but little in quantity.
International trade in 1961, though rising slightly above the 1960 volume of about 627,000 tons, still fell short of the 1959 peak. A decline in abaca exports was more than made up for by higher sales of sisal from Brazil and of henequen from Mexico. The exports by African suppliers remained unchanged. Within declining total imports of hard fibres into Western Europe and Japan, abaca lost ground to sisal. There was on the other hand an appreciable increase in imports of henequen from Mexico into the United States, where this fibre has found extensive use for cheap twines and as a padding material.

Prices for all these fibres declined in 1961, especially those of abaca. The wide price fluctuations to which hard fibres have been subject for a long period have created a need for closer co-operation among producing countries.

The Government of the Philippines has proposed the setting up of a Study Group on Hard Fibres. The matter is under consideration in the FAO Committee on Commodity Problems, and it is expected that a meeting of an exploratory character will be held in the second half of 1962.

The rise in cattle slaughter in main beef producing countries enabled an increase of about 12 per cent in the volume of world exports of cattle hides in 1961. The rise originated mainly in larger shipments from the United States, in particular to Japan, the largest single buyer, and from Argentina, in particular to EEC. These two markets accounted in fact for almost the whole of the increased imports. The Common Market countries (mainly France) had higher exports, but as imports (especially into the Federal Republic of Germany) rose even more, the area's import balance became larger. Prices of cattle hides in the United States, Argentina and France rose slightly during 1961, whereas in Australia, the lower prices towards the end of the year tended to stimulate export trade which previously had risen only moderately.

World production of natural rubber in 1961 recovered from the preceding years' decline and established a new record. Though prices fell sharply, there was only a marginal rise in world consumption, and even this increase came about as a result of bigger requirements in the USSR and Eastern Europe, which more than compensated for the fall in most principal industrial countries as well as in mainland China. Natural rubber consumption in the United States and the United Kingdom was greatly affected last year by the contraction in the automobile industry, and in these countries, as well as elsewhere, synthetic rubber continued to capture an increasing share of the market.¹

¹In eight principal consuming countries (United States, United Kingdom, France, Federal Republic of Germany, Netherlands, Australia, Canada, Japan) considered together, synthetics accounted for 56 per cent of total rubber consumption in 1960 and for 59 per cent in 1961. In the United States alone the proportion rose from 69 to 72 per cent. Natural rubber consumption fell in absolute terms in all these countries, except in Japan, where, however, synthetic consumption rose much more. Synthetic rubber consumption, on the other hand, fell in Australia, but much less than that of natural rubber.
The rise in world trade in natural rubber (net imports), from 1,903,000 tons in 1960 to about 1,993,000 tons in 1961, originated exclusively in higher takings by importing areas other than North America or Western Europe, i.e. mainly USSR, Eastern Europe, Japan and India. Exports of synthetic rubber from the United States rose very rapidly up to 1960 but declined substantially last year. Production in Western Europe rose¹ but most countries imported less.

Since the balance between supply and demand in the natural rubber market at present levels of consumption is extremely close, concern has been expressed by producers over the consequences of releases from Government stockpiles. Though such releases by the United States and the United Kingdom were in 1961 on a much smaller scale than previously (about 30,000 tons as against 159,000 tons in 1960), advance announcements regarding disposals no doubt contributed to the weakening of prices towards the end of last year. Under the original scheme established in 1959, releases from the stockpiles were restricted to certain quantities when prices moved within an agreed range, and ceased altogether when prices fell below the lower limit. Under the new arrangement, introduced in October 1961, releases of 5,000 long tons a month in the United States and 1,000 tons in the United Kingdom were authorized as long as prices in the preceding month were below 32 cents and 27 pence (32.6 cents) per pound, respectively. This scheme, in agreement with rubber-producing countries, in the beginning of 1962 was again made to include a lower price limit below which releases only of deteriorated rubber were permitted.

Natural rubber prices, which had shown a marked stability in the two preceding years, started to decline in the middle of 1960; between June and December the fall was by over 30 per cent. This lower level was maintained, with only slight fluctuations, until the third quarter of 1961, when there was a further minor deterioration. The average price in 1961 for RSS. No.1 spot New York was, at 29.50 cents per pound, 22 per cent lower than the 1960 figure.

¹Large-scale production of synthetic rubber outside North America is a fairly recent phenomenon. In the Federal Republic of Germany production rose from about 5,000 long tons in 1952 to 85,000 tons in 1961, in the United Kingdom from less than 1,000 tons in 1957 to 105,000 tons last year. In Italy and France production became important only in the last two or three years. Together these four countries produced about 320,000 long tons in 1961, twice as much as in 1959.
The level of consumption of natural rubber is closely connected both with the rate of expansion in synthetic rubber production and with the price relationship. As further capacity extension in the synthetic rubber industry is planned in several countries and as prices of the synthetic product have remained stable over a long period, there does not seem to be much scope for upward movements in natural rubber prices in the near future. In some major producing countries, e.g. Malaya and Ceylon, great efforts are made to improve output per acre of plantation, for instance by means of extensive re-planting with high-yielding varieties, and thereby to reduce the production costs. Moreover, in order to obtain a product of better and more homogeneous quality, new rules for classification and quality control were discussed and adopted at the international rubber conference in Kuala Lumpur in September 1960 and are entering into force in mid-1962.

The International Rubber Study Group, at its meeting in May 1962, examined...

In contrast with the substantial increases achieved in trade in fats and oils in both 1959 and 1960, world exports in this commodity group turned downwards in 1961, while production continued to progress. The setback was mainly occasioned by lower Western European import requirements. Shipments of soybean oil and lard from the United States declined, as did exports of soft oils in general from mainland China.

Exports of soybeans and oil (the second largest item after coconut products), after a steady expansion over an eight-year period, declined markedly in 1961, due principally to heavily reduced exports from the United States to Western Europe. Shipments of cottonseed and oil from the United States also had to be reduced, and stocks of both these soft oils increased. By contrast, there were higher exports of linseed from the United States and of linseed as well as oil from Argentina, and stocks in both countries were depleted. In trade in groundnuts and oil and coconut products, a higher level of exports resulted from offsetting movements: the rise in groundnut exports from Africa more than made up for smaller supplies from mainland China and India; larger exports of coconut oil and copra from Malaya, Ceylon and other countries in that area more than outweighed lower shipments from the Philippines where the crop was short. Due to reduced exports from the Congo (Leopoldville) and Nigeria, the level of trade in palm oil and palm kernel was lower. Trade in olive oil also decreased owing to smaller purchases by Italy from Spain.

1 Though consumption was expanding in Western Europe, higher output of olive oil and slaughter fats, as well as expanded butter supplies led to a smaller import demand.
The average price level of fats and oils was slightly lower in 1961 than in the preceding year. The principal exception occurred in soft oils, where advances were noted in the beginning of the year upon reports of the short supply in mainland China. As, however, import demand in Europe remained slack, prices of soft oils weakened towards the end of the year and remained generally stable well into 1962. Prices of lauric acid oils fell during the whole of last year and were on the average 34 per cent lower than in 1959, the year of exceptionally high prices. The only prices to advance consistently were those of linseed and linseed oil, whereas prices of palm oil and olive oil remained firm throughout the year.

Prospects for 1962 are for increased production in fats and oils, notwithstanding a lower olive crop and some uncertainty with respect to palm products. Supply of soft oils remains ample. Some increase in international trade is also anticipated but probably at a lower rate than production. Larger intra-European olive oil trade is expected. The USSR and Eastern Europe may have to turn increasingly to the international market, as there are no indications that supplies from mainland China will be able to meet higher import requirements.

The FAO Group on Coconut and Coconut Products, at its session in December 1961, examined inter alia the reason for the recent weakness in prices. The main factors were found to be the substantial recovery in production, greater availability of competing oils, in particular of those of marine origin, and the time lag in adjusting manufacturing processes to the new conditions of plentiful supply of coconut oil. It was noted that there were prospects for expanded use of coconut oil in products other than margarine or soap, i.e. insecticides, bakery products, etc.

The International Olive Oil Council held sessions in October 1961, and March 1962. In addition to dealing with various methods of marketing, aiming at promoting consumption, the Council dealt with possibilities to even out price fluctuations for olive oil.

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1 To quote an example, the price of soybean oil from the United States, c.i.f. Europe, which was $285 per long ton in January 1961, rose to $327 in April, and thereafter fell continuously, to $268 in December. In the whole group of soft oils (excluding olive oil) the drop between April and December was by 15 per cent.