The present note provides a brief description of recent market developments for the products being given priority consideration in the Special Group - coffee, cocoa, tea, bananas, spices, vegetable oilseeds and oils and natural rubber, as well as some of the developments in other international organizations concerned with these products. Material has been drawn from various sources, including reports of international organizations dealing with various aspects of these matters. Not referred to in the note are recommendations concerning tropical products included in the preliminary report of the Group of Three, established by the Committee on Trade and Development in January 1971.
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RECENT DEVELOPMENTS IN PRODUCTION, TRADE AND PRICES

Coffee

1. A world coffee crop of about 57.4 million bags of 60 kgs each for 1970/71 was estimated by the United States Department of Agriculture (USDA) in December 1970. This compares with crops of almost 66 million and 61 million bags in the previous two years and an average of over 68 million bags during the period 1961-62/1965-66. A decline in Brazilian output due to unfavourable production conditions is largely responsible for the reduced estimate.

2. World imports of green coffee in the calendar year 1970 reached an estimated 53 million bags, slightly below the figure for 1969 and 2.7 million bags below the 1968 level. During the three-year period 1968-1970, United States green coffee imports were estimated to have fallen by 5.6 million bags to 19.7 million. With regard to consumption, this decline in imports was partly offset by a 2.5 million bag stock run-down between December 1968 and December 1970. While the green coffee trade of many other developed countries registered relatively small changes, imports into Japan rose from 0.75 million bags in 1968 to 1.3 million bags in 1970 (73 per cent) and imports into Finland from 0.81 million to 1.3 million bags (63 per cent), record levels in both cases.

3. With regard to import requirements for the 1970-71 coffee year (October/September), the International Coffee Council agreed to an initial global export quota of 54 million bags plus a reserve of 4 million bags. Although this quota has since been reduced to 51.13 million bags (mid-March 1971) under the trigger price mechanism of the Coffee Agreement, it would appear that significant stock withdrawals will be necessary to meet total requirements during the year.

4. Because of demand pressures for available supplies in 1970, average values based on Coffee Agreement indicator prices for all coffee, at an estimated 50.5 cents per lb. were about 30 per cent above 1969 levels. More recently coffee prices have reflected a downward trend from an average of almost 52 cents per lb. in September 1970 to 45 cents per lb. in March 1971 (a decline of about 13 per cent). Robusta coffee was least affected by this trend.

Cocoa

5. At its meeting in April 1971, the FAO Statistical Committee of the Cocoa Study Group forecast world production of cocoa beans in the 1970-71 crop year at 1,464,000 metric tons, which if realized would be the second highest output recorded and an increase of 111,000 metric tons over the November forecast. On the other hand grindings were forecast at 1,418,000 metric tons, a rise of 40,000 tons over the November estimate. As a result of the increased availability of supplies which are expected to exceed grindings during the current season, cocoa prices have continued to decline from the high levels of 1969. Compared with a peak average price of 48.7 cents per lb. for Ghana, spot New York, in November 1969, the average price in March 1971, had fallen to 27.1 cents, the lowest level in almost four years.
6. The Statistical Committee pointed out that consumption of cocoa was beginning to respond to lower cocoa bean prices and that further increases in consumption could be expected as manufacturers drew on lower priced beans. It was also noted that many consuming countries were continuing to increase imports of semi-processed cocoa products from producing countries and for this reason grinding figures were now less indicative of consumption in individual countries than before.

Tea

7. Output of tea in major producing countries (excluding Mainland China) reached a record level of 1.06 million tons in 1969, some 25,000 tons greater than in 1968. Estimates presented to the second session of the Consultative Committee on Tea in December 1970 indicated that production in 1970 would reach a new record. Preliminary 1970 production statistics for a number of countries published by the International Tea Committee reflect higher production levels in India (421,000 tons compared with 395,000 tons in 1969) and Kenya (41,000 tons and 36,000 tons). Smaller increases were registered in other East African tea-producing countries, while production in Ceylon fell by 7,000 tons to an estimated 212,000 tons.

8. Tea exports from major producing countries (other than Mainland China), at 554,000 tons in 1969 were 28,000 tons lower than 1968 exports. While full details of trade returns for 1970 are not yet available, it would appear that exports had totalled some 580,000 tons during the year, thus exceeding 1969 levels. This figure represents approximately 97 per cent of the global quota provided for in the informal FAO arrangement. Net imports into the United Kingdom during 1970 at an estimated 235,000 metric tons recovered from the lower figure of 190,000 tons recorded in 1969. Because of the run-down in United Kingdom stocks in 1969 and an increase in stocks during 1970, the apparent change in consumption was far less marked. United States imports in 1970 showed a further decline of 1,500 tons to 61,600 tons. During January-October 1970, Australian, Canadian and Irish imports were below previous year’s levels, while incomplete statistics for 1970 indicate significantly higher imports by a number of countries including Japan, United Arab Republic and Sudan.

9. In contrast with the downward trend in tea prices which occurred during the period 1960-1969, there was an improvement during 1970. The annual average London auction price for all tea was estimated at 45.7 new pence per kg, the approximate level of prices in 1967. However, in the early months of 1971, prices again reacted unfavourably for producers with values averaging 43.5 new pence per kg, during the first quarter.

Bananas

10. Preliminary FAO estimates indicate that world banana imports in 1970 amounted to 5.7 million tons, approximately the same as for 1969. Some changes occurred during the year in sources of supply largely as a result of varying production conditions. Whereas exports from the Caribbean declined by an estimated 20 per cent to 500,000 tons, shipments from Ecuador increased by 9 per cent to 1.3 million tons and from Costa Rica by 20 per cent to 760,000 tons. In Asia,
availabilities from China (Taiwan) declined by 47 per cent to 223,000 tons, whereas supplies from the Philippines more than doubled to 55,000 tons.

11. A reduction in banana imports into some countries of Western Europe partly because of supply difficulties during certain periods of the year was also a feature of the world trade pattern in 1970. Provisional figures indicate a decline of 10 per cent in United Kingdom imports and a reduction of almost 4 per cent in the EEC with all member States registering lower trade figures. Estimates also indicate that imports by the countries of Eastern Europe were below 1969 levels. United States imports declined by an estimated 1 per cent. In contrast to the position in Europe, imports into Japan, the second most important world market, again rose substantially, by 14 per cent to a level of 844,000 tons in 1970.

12. The world market was also characterized by higher prices at the beginning of the year when supplies were limited and lower prices in the second half of the year when supplies were more plentiful. Average values for the year were generally higher than in 1969 in the major markets. The average 1970 price in the Federal Republic of Germany, for example, was estimated at $1.55 per metric ton f.o.r. importer to wholesaler, Hamburg for Ecuadorian bananas compared with $1.31 in 1969.

Spices

13. Preliminary data collated by USDA indicate that world exports of pepper in 1970 declined further from the already low 1969 levels, mainly due to smaller shipments by Indonesia, Malaysia, Brazil and the Madagascar Republic. World pepper exports in 1969 approximated 161 million pounds compared with 190 million pounds in 1968 and 200 million pounds in 1967. New York spot prices for Indonesian (Lampong) black pepper during 1970 averaged 57.1 cents per pound, the highest for several years, compared with the 1969 average of 40.5 cents.

Vegetable oilseeds and oils

14. At the December 1970 session of the Statistical Sub-Committee of the F.A.O Study Group on Oilseeds, Oils and Fats, the situation and outlook for production and trade in oilseeds, oils and fats was reviewed on the basis of figures, both actual and estimated, for major exporting countries. With regard to the vegetable oilseeds and oils covered in SGTP/21, 1970 production in the major exporting countries was estimated at 18.1 million metric tons oil equivalent, about 3 per cent above the 17.6 million tons for 1969. Declines in production of sunflower-seed oil and groundnut oil, in particular were more than offset by increases in output of soyabean oil and rapeseed oil. Exports from the major exporting countries, on the other hand, increased by about 15 per cent to an estimated 7.7 million tons. Soyabean and soya bean oil exports from the United States, which rose about 40 per cent above 1969 levels to an estimated 2.8 million tons, were largely responsible for the higher supplies. United States availabilities helped offset shortages of other types of oilseeds and oils, including sunflower and groundnut.
15. Vegetable oil prices continued to increase in 1970 and in many cases reached record levels. Of the major oils entering international trade, the average price for soyabean oil, ex-tank Rotterdam, was $290 per metric ton, an increase of 46 per cent on 1969 levels. The average annual price for soyabean, c.i.f. European ports at $109 per ton, increased $11 from the 1969 average. Sunflower oil prices, ex-tank Rotterdam, increased by 55 per cent to $551 per ton and groundnut oil from $511 to $578 in 1970. Palm-kernel oil registered a 20 per cent increase to $367 per ton and palm-oil prices rose by 40 per cent to $260 per ton c.i.f. European ports. Prices of coconut oil increased from $347 to $379 per ton. With ample supplies of linseed oil available, average prices c.i.f. London, at $226 per ton, were below the average $239 achieved in 1969. Castor oil values, on the other hand, increased from an average of $271 per ton c.i.f. European ports for Brazilian origin to $300 in 1970, the higher values reflecting reduced production in the latter year and an apparent run-down in stocks. In the early months of 1971, most vegetable oils showed an easier tendency with the exception of groundnut oil.

Natural rubber

16. According to "Rubber Statistical Bulletin" for March 1971, published by the secretariat of the International Rubber Study Group, natural rubber production in 1970 was estimated at 2.9 million tons, approximately the same as in 1969. Estimated world consumption of 2,887,500 tons was 57,500 tons below 1969 levels and as a result end-of-year stocks increased to 750,000 tons.

17. Of particular interest to the Special Group are developments in international trade in the new and improved forms of natural rubber. The upward trend in block rubber exports has continued. Exports of Standard Malaysian Rubber in 1970 increased by more than 60 per cent to over 224,000 tons and exports of Standard Indonesian Rubber reached almost 20,000 tons in 1970 compared with negligible exports in 1968. Although separate trade statistics are not readily available, other natural rubber producing countries in Africa and Asia are also producing block rubber for export. The February 1971 issue of the International Rubber Digest reports that Ceylon is installing five plants for block rubber production each with an initial capacity of 10 tons per day.

18. Although trade in other new and improved forms of natural rubber is relatively small, it could become significant in the future. Malaysia exported over 5,600 tons of superior processing rubber in 1969 including quantities of PA57, the oil extended version. During 1969 and the early months of 1970 natural rubber carbon black masterbatch, methyl methacrylate graft rubber and oil extended natural rubber were exported in commercial quantities. Countries of destination for one or other of these products included Japan, United Kingdom, France, Italy, Belgium, Federal Republic of Germany and Australia.

19. In complete contrast to 1969 when average prices rose 30 per cent above the very low levels obtaining in the previous year, 1970 prices fell almost 20 per cent to 18.5 United States cents per lb. A general lack of market interest by Mainland China and reduced consumption in the United States as a result of the prolonged strike in the automobile industry were among the factors responsible for the decline. Sales from the United States
stockpile were also recommenced in May 1970, but were halted in September after the disposal of some 26,000 tons because of unfavourable market conditions. Deliveries from the Australian stockpile during January/November 1970 are estimated by the secretariat of the International Rubber Study Group at 4,100 tons.

20. During the early months of 1971 rubber prices continued their downward trend averaging 15.5 United States cents per lb. for the first three months, almost 30 per cent below values for the same period of 1970.

ACTIVITIES IN OTHER INTERNATIONAL ORGANIZATIONS

Coffee

21. The seventeenth session of the International Coffee Council held on 17-31 August 1970 reached agreement on the level of export quotas for the 1970/71 season, details of which are contained in paragraph 3. Provision was also made for quota reductions related to downward price movements. In addition, the selective adjustment system of quotas was continued. At a meeting in February 1971, the Council amended the resolution to permit a second 1.5 million bag cut in quotas to take place on a decline to and below 46 cents per lb. for fifteen marketing days at the same time as the first 1.5 million bag reduction on a price decline to and below 48 cents for fifteen marketing days.

22. Three counts were concluded during the first half of March 1971 for the downward adjustment of quotas. Two resulted in a combined reduction of 3 million bags and the third precipitated the withdrawal of a previous increase of 542,165 bags in the unwashed arabica group. As a result effective export quotas as at mid-March amounted to 51.13 million bags.

Cocoa

FAO

23. Forecasts of cocoa production and grindings made at the April 1971 meeting of the Statistical Committee of the Cocoa Study Group are indicated above in paragraphs 6 and 7.

UNCTAD

24. A meeting of the Cocoa Consultative Group consisting of fourteen major producing and consuming countries took place in Geneva in June 1970. In the absence of a consensus on certain major issues, the Secretary-General of UNCTAD indicated that he would continue his consultations with individual governments with a view to clearing the way for a cocoa conference.

Cocoa Producers' Alliance

25. The General Assembly of the Alliance met in Brazil during October 1970. Among other things, developments towards the negotiation of a Cocoa Agreement were reviewed.
International Office of Cocoa and Chocolate

26. This body, consisting of the main chocolate manufacturers from developed countries, meets every five years and is concerned with marketing and research matters. At its meeting in Madrid during October 1970, it expressed appreciation of the work of FAO and the International Organization for Standards on international standards for cocoa beans and hoped that these would be universally adopted as quickly as possible. The work of the "Codex" commission on cocoa products and chocolate was recognized. It also noted that the consumption of chocolate and cocoa confectionery was inhibited by internal taxes and expressed the hope that such taxes would be reduced or eliminated.

Tea

FAO

27. The second session of the Consultative Committee on Tea was held in December 1970 at New Delhi. The agenda included items concerning a review of the current situation, short-term international action, longer-term arrangements, promotion and barriers to trade. It was decided to maintain the informal quota for 1971 at 1,311 million pounds, the same level as for 1970. The problem concerning barriers to trade in tea were examined on the basis of a note prepared by the GATT secretariat (SGTP/17/Rev.1) and proposals concerning internal taxes, similar to those contained in the July 1970 report of the Special Group on Tropical Products (SGTP/20, paragraph 33), were made.

28. Longer-term action concerning international trade in tea was discussed at a meeting in Rome in April 1971 and further discussions are expected to take place towards the end of the year. The informal global quota for 1971 was also confirmed but no country allocations were announced.

Bananas

FAO

29. The forty-fifth session of the Committee on Commodities in October 1970 examined the results of the third session of the Committee on Statistics of the Banana Study Group. It also, among other things, endorsed the recommended areas of work priorities for the Study Group, in particular the request for a cost-oriented study of the organization of production and distribution of bananas, including an analysis of the price spread between production and consumption. Some members of the Committee considered that in view of the concern about the longer-term balance between supply and demand, diversification possibilities for banana-producing countries should also be studied. The fourth session of the Study Group is scheduled to meet in Martinique during May 1971.
Pepper

FAO

30. At its session in October 1970, the Committee on Commodity Problems agreed that further work should be undertaken by the FAO secretariat as a matter of urgency on the world pepper economy and in particular on the underlying causes of price fluctuations and the organization of production and marketing in exporting countries.

Asian Pepper Community

31. A meeting of major Asian pepper-producing countries held with the assistance of UNCTAD in February 1971 approved a draft agreement to form a pepper community. The objectives of the agreement, open for signature by pepper-producing countries after 15 April, are to stimulate technical and economic research, co-ordinate quality standards, facilitate the flow of information on production and marketing and seek the removal of trade barriers.

Oilseeds, oils and fats

UNCTAD

32. Matters arising from the Special Session of the Study Group on Oilseeds, Oils and Fats in January 1970, were examined by the Committee on Commodities in July 1970. With regard to the proposal that consideration be given to changing the status of the Study Group to an Intergovernmental Consultative Committee, the UNCTAD Committee recommended that the FAO Committee on Commodity Problems be informed of its agreement that the proposed Intergovernmental Committee be a joint FAO/UNCTAD body. The establishment of a Statistical Sub-Committee of the Study Group was also welcomed.

33. With regard to competition from synthetics, the fourth session of the Permanent Group on Synthetics and Substitutes noted that a complete picture was lacking and that there was a need for further research on the subject.

FAO

34. The fifth session of the Study Group on Oilseeds, Oils and Fats was held during December 1970. The Group took note of its revised terms of reference as adopted by the Committee on Commodity Problems at its forty-fifth session in October 1970. The terms of reference were modified to include oilcakes and meals in the product coverage; to enable the Group to identify specific problems for short-term action and recommend informal short-term measures considered necessary; to consider measures which could contribute to the solution of medium and long-term problems and to submit practical proposals for intergovernmental arrangements. COP decided that the Group should continue temporarily to be known as the "Study Group on Oilseeds, Oils and Fats".

35. The Study Group requested the FAO secretariat to prepare for future sessions papers on a number of subjects including developments in price supports, productivity and end-use research, FAO's activities on the supply oriented...
aspects of trade promotion and internationally financed projects for increased palm-oil production. The GATT secretariat was invited to keep the Group informed of future progress concerning trade liberalization measures for oilseeds, oils and fats.

36. Two sessions of the Statistical Sub-Committee were also held in 1970 at which official estimates of production and trade for 1970 and forecasts for 1971 were reviewed.

Natural rubber

UNCTAD

37. The problems of barriers to trade in improved forms of natural rubber were among the subjects considered by the fourth session of the Permanent Group on Synthetics and Substitutes in July 1970. The group decided inter alia that the secretariat be requested to cooperate further with the Customs Co-operation Council and other appropriate international organizations on a consultative basis with respect to the identification of new and improved forms of natural rubber and the re-classification of chapters 39 and 40 of the BTN and that States members be urged to bear in mind the desirability of the complete elimination of tariffs on and the ensuring of fair and equitable treatment for new and improved forms of natural rubber.

International Rubber Study Group

38. The twenty-first Assembly of the International Rubber Study Group took place in Singapore during October 1970. The Group noted the agreement reached in Singapore in September 1970 by nineteen of the thirty endorsing members of the International Rubber Quality and Packing Conference to establish an international Rubber Association to handle all commercial matters relating to natural rubber. The Study Group also considered international standards for technically specified block rubbers and took note of the work being undertaken in this field by the International Rubber Research and Development Board.

Association of Natural Rubber Producing Countries (ANRPC)

39. An Association of Natural Rubber Producing Countries was inaugurated in October 1970 grouping the main producing countries. The objective of the new body is to bring about co-ordination in the production and marketing of natural rubber, to promote technical co-operation among members, and to bring about fair and stable prices for natural rubber. Membership of the new association is open to governments of natural rubber producing countries. A meeting of the ANRPC took place in February 1971 in Kuala Lumpur with the purpose of setting up a working party to study United States rubber stockpile releases. In a joint communiqué issued at the end of the meeting, the six member countries agreed that a permanent solution should be found to the problem of United States rubber sales.