I. COFFEE

The International Coffee Agreement

1. The present International Coffee Agreement is a producers' agreement only. It first came into force on 1 October 1959 for a period of one year, but was extended for further one-year periods in 1960 and 1961 respectively. The present extension is due to expire on 30 September 1962.

2. Under the 1959 Agreement the basic quota for each country was determined as either 90 per cent of the largest amount the country concerned exported in any calendar year from 1949 to 1958 or, in certain cases, 88 per cent of its estimated current exportable production. Exports from African territories to metropolitan areas and exports from all participants to so-called "new markets" i.e. mainly Eastern Europe, USSR and the Near and Far East, were excluded from the quotas. The Agreement further provided for a campaign to stimulate consumption to be financed by a levy on exports. The main mechanism of control has remained unchanged during the year to year extension of the Agreement.

3. During the first year of its existence the Agreement grouped producers accounting for about 85 per cent of world coffee exports, including the French Community and Portugal. In addition, Belgium and the United Kingdom made "declarations of intent" aimed at a limitation of exports by their dependent territories.

4. Additional countries joined the Agreement when it was extended for a further year in 1960, with the result that the countries participating in the Agreement account for more than 90 per cent of the world exportable production.
The United Kingdom joined on behalf of Kenya, Tanganyika and Uganda, while Cameroun, Gabon, the Ivory Coast, Madagascar and Togo now participated individually instead of collectively.1

Proposed long-term international coffee agreement

5. Meanwhile, the Coffee Study Group, in which representatives of consuming as well as producing countries participate, has for some time been studying the long-term problems of the coffee market. At a plenary meeting in January 1961 the Group established a committee to recommend ways and means of expediting action leading towards a long-term coffee agreement.

6. Towards the end of 1961 the Committee produced a draft long-term agreement which was submitted to governments for consideration. As at present drafted, the agreement would be for a five-year period and would be administered by an International Coffee Council in Washington, with an Executive Board and an Executive Director.

7. In the draft it is proposed that quotas should be fixed for the first three years, based on the estimated total of world imports. There is, however, provision for a re-examination of the situation in the second half of the third year in the light of changes in consumer taste, the price policies adopted and the outcome of attempts to adjust production to demand.

8. If a producing country exported in excess of the amount authorized in any quarter it would, in terms of the draft, be penalized by having its quota for the succeeding quarter reduced by double the excess.

1The member countries now are:

- Brazil
- Colombia
- Costa Rica
- Cuba
- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Haiti
- Honduras
- Mexico
- Nicaragua
- Panama
- Peru
- Venezuela

- Kenya ) represented by the United Kingdom
- Uganda
- Tanganyika
- Portugal
- Ivory Coast
- Madagascar
- Togo
9. The draft provides for the fixing of minimum selling prices each year for the various types and grades of coffee. Provision is also made for the setting of production targets for producing countries and for the control by consuming countries of coffee imports from countries not participating in the agreement.

10. Finally, there would be an International Coffee Fund financed by a levy on each bag of coffee exported. This Fund would be used to further the policy objectives of the agreement and would, inter alia, assist in the replanting with other crops part of the present acreage under coffee production.

11. A meeting of the Coffee Group to discuss the draft long-term coffee agreement was held in Washington beginning 21 March 1962. Representatives of the twenty-eight countries members of the Producers' International Coffee Agreement and observers from twenty other countries participated.

12. The Group agreed to ask the Secretary-General of the United Nations to call a negotiating conference to work out and approve a new five-year agreement, based on the draft, which would include both producing and consuming countries. The new agreement would replace the present Producers' International Coffee Agreement. It is proposed that the negotiating conference should open early in July 1962.

13. It was agreed that the Group would appoint a pre-conference committee including Brazil, Colombia and two each of the FEDCAME and African countries for the producers and Canada, France, Italy, Sweden, the United Kingdom and the United States for the consumers.

II. COCOA

14. The FAO Cocoa Study Group, in the light of changes in the supply/demand situation, appointed in October 1960 two Working Parties to study respectively the problems of price stabilization and promotion of consumption. At the same time it also set up a Working Party on Grading of Cocoa.

15. In April 1961, at its fourth session held in Accra, the Study Group examined the recommendation of the Working Party on Price Stabilization that further study should be given to the possibility of an export quota type international agreement for cocoa. The Study Group established a committee to draft such an agreement.

16. The committee met in June 1961. It did not, at that stage, try to produce the complete text of a draft agreement but concentrated instead on producing a draft of the main operative provisions.
Draft international cocoa agreement

17. The draft prepared by the Committee proposed the establishment of an International Cocoa Council on which each government would be a voting member. Countries would hold votes corresponding to their share in the import and export trade in cocoa, although there is provision for the fixing of a maximum number of votes which one country could hold. In the aggregate, there would be equal voting rights for exporting and importing countries.

18. The draft provides for basic quotas for exporting countries which, it was suggested, should approximate the total amount of the estimated requirements of importing countries. The export quotas allotted to exporting countries would be a uniform percentage of their basic quotas.

19. The Council would review the cocoa market situation at the beginning of each quota year and, if prices were below a figure to be agreed, it would decide whether export quotas should be put into force. In reaching this decision, and in determining the level of export quotas if these were to be introduced, the Council would also take into account other relevant factors, including the requirements of all importing countries and supplies likely to be put on the market by non-member countries. Each member country would undertake to inform the Council, when so requested, of its export availabilities or probable import requirements as the case might be. Provision was made for possible limitation of imports from countries not participating in the agreement.

20. If export quotas were not introduced but, during the year, the price fell below the agreed figure and remained so for fifteen consecutive market days, the Council would meet to determine whether such quotas should be introduced. Likewise, when the price had been below the agreed price for at least fifteen consecutive market days the Council would, except during the last three months of the quota year, at any time be able to adjust upwards or downwards the level of export quotas in the light of the market situation. All export quotas would automatically cease to apply when the price was above the agreed figure.

21. Exporting countries would undertake to conduct their sales during all periods of the quota year so that cocoa would not be made available to the market in such quantities as to upset the market, or result in an inequitable division of the market should it become necessary to put export quotas into force or to reduce their level.

22. The establishment of an International Cocoa Fund was also proposed. This would be financed from a levy, at a rate determined annually by the Council subject to a maximum figure per ton, on all cocoa or cocoa products entering into international trade from member exporting countries. The Fund would

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1 Important amendments subsequently made to the draft, which envisage the replacement of export quotas by sales quotas and the introduction of the system of a price range, are referred to in the paragraphs following paragraph 23 below.
finance measures to promote increased consumption and assist producing countries to meet the cost of holding stocks surplus to export quotas; these might include cocoa products but, in both cases, the Council would determine the limit of the amount for which assistance might be given by the Fund. The Fund could not be used to purchase surplus cocoa. No provision was made for regulating the size of stocks of cocoa held by exporting countries.

23. The Council would also prepare and publish reports and studies on such subjects as long-term prospects for production and consumption. It would also make recommendations to governments on means of securing expansion in consumption of cocoa, and would undertake studies on such questions as the effects on consumption of taxation and restrictive measures and of economic and climatic factors.

Consideration of draft agreement by Executive Committee and Cocoa Study Group

24. The draft produced by the Committee was examined by the Executive Committee of the Cocoa Study Group at a meeting in October 1961. Certain changes were made by the Executive Committee and several new proposals and concepts were put forward during the meeting. These were circulated to governments for their comments and were considered at the session of the Cocoa Study Group held on 22-28 May 1962.

25. At its session from 22-28 May the Cocoa Study Group examined the draft agreement and the approach in regard to the provisions on quotas and prices formulated by producing countries in conformity with the ideas put forward at the meeting of the Executive Committee in October 1961.

26. The producing countries proposed that the system of a price range should be introduced in the draft agreement and that the sales quota approach should replace the export quota approach. The first proposal, with certain amendments, was accepted by the Study Group for inclusion in the draft agreement. The second proposal was accepted by the Group in principle, but it was agreed that there was need to analyse the technical problems of the sales quota approach and to develop a mechanism for its effective operation and control.

27. The general view of the Study Group was that preparations should continue with a view to the calling of a negotiating conference as soon as possible. The Group requested the Director General of FAO to discuss with the Secretary General of the United Nations the possible timing of such a conference, probably early in 1963.

28. The Study Group entrusted a Preparatory Committee with the task of working out the text of a draft agreement based on sales quotas and to complete it for submission to the negotiating conference. The terms of reference of the Preparatory Committee are to prepare, on the basis laid down at the session of the Study Group held from 22-28 May, a detailed draft agreement and the other necessary documentation for a negotiating conference and, in particular:
(a) To examine in detail the implications of a sales quota system from the standpoint of market operations, regulation and control of the scheme and other relevant aspects, including the price provisions, and to draft suitable articles for inclusion in the draft agreement.

(b) If the investigation reveals that the operational and control problems would be so serious as to make operation of such a system very difficult, the Preparatory Committee should examine how the essential features of the system could be combined with an export quota system, or make any other recommendations for the consideration of the Executive Committee.

(c) To prepare a report on the main aspects of the world cocoa problem for submission to the United Nations as the background document in connexion with the negotiating conference.

The Preparatory Committee should also review the other provisions of the draft agreement in the light of its decisions on sales quotas and generally complete the text in a form suitable for the negotiating conference.

29. The Group agreed that the Executive Committee should meet again in the autumn, to review the work of the Preparatory Committee and incorporate it, with any necessary amendments, in the draft for submission to the negotiating conference.