Note on Work by the Secretariat in Connexion with the Sub-Group's
Terms of Reference

The purpose of this note is to put forward suggestions by the secretariat in connexion with the work to be undertaken under the Sub-Group's terms of reference (L/1817, page 9). Section I of the note contains a proposed outline of the totality of the work which might be undertaken by the secretariat. Section II gives an indication of the intended scope and purpose of the documentation which has already been prepared by the secretariat within this broad outline. Part of this documentation, namely notes by the secretariat on bananas, coffee and vegetable seeds and oils are attached to this note.

I. Proposed outline of totality of work to be done by the secretariat

The Sub-Group's terms of reference state that the work of the Sub-Group "should relate on a commodity-by-commodity basis, in the first instance to the following products: cocoa, coffee, tea, vegetable seeds and oils, tropical timber and bananas". The six sub-headings set out in the terms of reference are therefore interrelated and it would not be easy to examine them separately. In order to appraise the importance to developing countries of the sheltered access they or their competitors enjoy for these commodities in certain important markets (sub-paragraphs (a) and (b)), it seems necessary to consider the present situation of the world market of these commodities (sub-paragraphs (d) and (e)) and to assess the likely effects of a removal of trade barriers and preferential systems on the volume and prices of world exports and on the shares of previously sheltered and unsheltered producers respectively (sub-paragraph (c)).

In view of these considerations, the following draft outline is proposed by the secretariat as a basis for the work entrusted to the Sub-Group:

A. Description of the barriers to trade and preferential arrangements existing at present

(i) Protective tariffs and other barriers to trade at present applied.

(ii) Preferential systems applied by importing countries:

(a) tariffs
(b) tariff quotas
(c) sheltered access.
B. Effects of a removal of all barriers to trade and preferential arrangements on world trade for each product

In order to assess the possible effects of a removal of all obstacles to trade (preferential or other) on the pattern of world trade in each of these commodities, account has to be taken of the factors influencing consumption in importing countries and production in exporting countries. Information on these matters has already been collected by a number of governments and by international organizations and further detailed investigations could probably be avoided. However, ad hoc studies seem necessary for arriving at estimates relating to:

(i) changes in the volume and value of world exports;
(ii) shifts in the share of world exports accruing to sheltered and other exporting countries.

As regards coffee and cocoa, account will have to be taken of the provisions of the international agreements signed or under discussion and of the way in which these agreements operate. For these two commodities one starts from the assumption that there are marketing arrangements. As far as the other commodities are concerned one might have to examine, in the light of the facts brought out in the further studies, the question of marketing arrangements as a possible solution to the problems which arise.

C. Importance of preferential arrangements in the context of the economic needs of selected countries

(i) Effects of the changes in world trade envisaged under B above on the export proceeds of selected countries for which one or several tropical products represent a large share of the total value of exports.

(ii) Effects of a change in the export proceeds on the domestic situation of previously sheltered countries, including the effects on the level of imports and consequently on the development plans of such countries. Examination of how adverse effects might be offset, for example through alternative lines of production, and what would be required in the way of financial assistance to permit the development of such lines of production. This would involve fairly detailed studies, on a country-by-country basis, on the economic situation of the country concerned, its economic development, its economic potentialities, etc.

1 The main points to be considered are:

(i) for importing countries: relations between volume of consumption and retail prices; tastes and habits of consumers; competing domestic products;

(ii) for exporting countries: prices paid to farmers; other factors influencing the volume of production.
II. Work already done by the secretariat

Two documents prepared by the secretariat and containing purely factual data are being distributed to members of the Sub-Group. One of these, document W(62)1, contains statistical data showing for the main importing countries their imports by origin during recent years and for selected exporting countries gross domestic product, gross agricultural product and the commodity and country pattern of exports. The second document W(62)2 contains factual data concerning barriers to trade and preferential systems at present in force, including a note on the arrangements between France and the franc-zone countries; this document largely provides the information called for under A of the draft outline of work given above.

In addition the secretariat has prepared three notes on particular commodities, namely bananas, coffee and vegetable seeds and oils, and these are attached to this paper. It is necessary to give some indication of the scope and purpose of these three notes.

In the first place the notes are not intended to be comprehensive or detailed. They do not attempt to examine the problems involved in depth and, in some cases, only mention particular problems with an indication that these need to be further studied. Only a few countries are dealt with in the notes as examples and these, of course, would be insufficient in number for the purposes of a broad study.¹

The three notes should, therefore, be considered as essentially "pilot" papers. Their purpose is to indicate to the Sub-Group the approach, methods and the nature of assumptions which the secretariat would propose to use in the large studies envisaged by the Sub-Group's terms of reference, and to enable the Sub-Group to give the secretariat directives regarding its future work. If, following its consideration of the three notes, the Sub-Group is satisfied that the secretariat is working on the right lines, the notes could fairly quickly be expanded into the comprehensive studies, called for by the Sub-Group's terms of reference. At that stage further assistance from other organizations and from national experts would come more fully into play.

¹Additional countries will be suggested by the secretariat in a note to be distributed very shortly.
NOTE ON BANANAS BY THE SECRETARIAT

World trade

World exports of bananas amounted to about 3.6 million tons in 1961. The principal import markets are the countries of North America and of Western Europe which took up respectively 1.7 million tons and 1.4 million tons in 1961. Argentina, Chile and Uruguay also constitute an important outlet, with an annual consumption of the order of 250,000 tons.

The countries benefiting from preferential arrangements on certain European markets exported about 600,000 tons in 1961, almost exclusively to those markets. This is the case in particular for Jamaica, the Windward Islands and Cameroun on the British market, Ivory Coast and Cameroun on the French market and Somalia on the Italian market. Imports by the United Kingdom, France and Italy from countries other than those benefiting from preferential arrangements constituted only a relatively small share of total imports.

Exports by the Central American countries amounted to 1.3 million tons in 1961. They were mainly shipped to the United States and Canada, which took up 85 per cent of their total exports, the remainder being imported by European countries, and in particular by Germany.

Ecuador, the principal producing country in South America, exported about 900,000 tons of bananas in 1961, two thirds of that amount being taken up by the United States and Canadian markets. Colombia's exports, amounting to about 200,000 tons in 1961, were entirely absorbed by the European markets. West Germany is the principal European outlet for exports from Ecuador and Colombia. Exports from Brazil, amounting to 250,000 tons, are absorbed mainly by Argentina.

Production

The way in which quantities available for export develop depends on the volume of production, a large part of which is consumed in the producing countries, and at the same time on the quality of the bananas marketed and on transport facilities. It appears that in most of the producing countries it would be possible to increase banana production by expanding the area cultivated as well as by increasing yields; however, forecasts as to the future evolution

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1In addition, Guadeloupe and Martinique, which are overseas departments of the French Republic, enjoy completely free access in metropolitan France for their exportable banana output which in 1961 amounted to about 250,000 tons. Similarly the Canary Islands, which are provinces of the Spanish State, exported nearly 300,000 tons in 1961 of which 190,000 tons went to continental Spain.

of production are made very uncertain by the fact that it is difficult to foresee the extent of possible losses due to plant diseases. Very strict standards generally govern the quality and specifications of each stem of bananas accepted for export; the costs of marketing and of transport from the place of production to the port are usually high and are likely to increase as the distance of the plantations from the sea tends to become greater. Precise indications regarding the future evolution of production and exportable quantities can therefore only be obtained after a detailed study, for each of the principal exporting countries, of production possibilities and the conditions in which marketing and transport take place.

Consumption

Consumption of bananas, like that of fruit in general, is closely correlated to the per caput income level. It stands at about 10.5 kg. in the United States, in the neighbourhood of 7 kg. in most of the countries of North-West Europe and 3.5 kg. in Spain, but less than 2 kg. in other Mediterranean countries.

On the assumption of stable prices, total banana consumption in North America might rise in the coming years, at a rate in the neighbourhood of 2 per cent per annum, due mainly to population increases. Although very little information is available concerning the increases in banana consumption which may be expected to follow increases in income in Western Europe, demand for bananas seems to be still very elastic in several European countries. Taking into account the estimates available for the United Kingdom and Germany, and if incomes continue to rise at a rate close to that recorded in the past few years, it seems that total consumption in the Western European countries might rise by 3 to 4 per cent per annum during the coming years.

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1 On this subject see Bananas, World Production and Trade, FAS, US Department of Agriculture, April, 1962, pp.8-10.

2 For this country, a study on the elasticity of demand published in Domestic Food Consumption and Expenditure: 1960, Annual Report of the National Food Survey Committee, p. 137, indicates that the income-elasticity of demand for bananas amounted to 0.6 in 1960.

3 The FAO study Income Elasticity of the Demand for Food, Annex, Table B6, indicates that for Germany, in the early 1950's, the income-elasticity for banana consumption was 1.19. An elasticity level of the same order was used in an ECLA study (Economic Bulletin for Latin America, Vol. III, No. 2, p. 19) for a projection of banana demand in 1966 in the principal importing countries other than the United States, Canada, Argentina and New Zealand.
As a result of the preferential agreements concluded with certain exporting countries by the United Kingdom, France and Italy, their import prices are noticeably higher than those prevailing on other important markets such as the United States and the German markets. In 1961, for instance, c.i.f. unit values for bananas imported from associated countries were in the United Kingdom and in France 45 per cent and in Italy 70 per cent higher than average unit values of German imports. If the import prices of the United Kingdom, France and Italy were brought down to the average level of German prices, assuming the trade margins to remain unchanged, the result would be a drop of about 15 per cent in the retail price in each of these three countries. The information available regarding the consumption increases which might be expected to follow a fall in retail prices for bananas is fragmentary and rather unprecise. It would seem, nevertheless, that a 15 per cent reduction in retail prices in the United Kingdom, France and Italy might be accompanied by an almost equivalent rise in consumption, corresponding to additional demand of the order of 50,000 tons to 100,000 tons.

The estimates given here regarding the possible development of the banana market in Western Europe and North America are merely approximate. A more detailed study would have not only to make a closer appraisal of the effect of variations in income or prices on the level of banana consumption, but would also have to take into account other factors which have a significant effect on consumer behaviour. In particular, it appears that the evolution of the banana market cannot be considered separately from that of the market for other fresh fruit; the development of consumption of preserved fruit and fruit juice would also have to be taken into consideration.

Effects on exports by various countries of the removal of import barriers

In 1961, the average import price for bananas in Germany was of the order of $120 per ton. Import prices were noticeably higher in the European countries which grant preferential treatment to certain suppliers: $180 per ton in the United Kingdom for bananas from the Commonwealth countries and in France for bananas from Ivory Coast and Cameroun, and $210 per ton in Italy for bananas from Somalia. These differences appear to be mainly due to the existence of preferential arrangements. However, it is difficult to make precise price comparisons on the basis of the statistics as published by exporting and importing countries, since the quantities recorded in statistics of exporting countries are often expressed in terms of stems and the conversion of stems into tons can only be approximate. Considering that transport and insurance costs may well account for roughly one half of the German c.i.f. prices, one may estimate that the countries enjoying preferential treatment on the French and British markets obtain prices nearly double (and those by Somalia more than double) the prices obtained by Ecuador, Colombia and the Central American countries. A more detailed and more thorough study would therefore have to make

1 The trade margin in Italy seems to be high. If it could be reduced to a level approaching those existing in the United Kingdom, France and Germany, it is likely that a further increase in consumption might take place in Italy.

2 A similar price was paid for bananas from Guadeloupe and Martinique.
a precise determination of the export prices obtained by the various supplying countries and give indications on the factors having an influence on transport costs.

To illustrate the effects an abolition of barriers to trade would be likely to have on the export proceeds of banana-producing countries, some indications are given below relating to the Windward Islands which enjoy sheltered access on the British market and to Ecuador which is the largest world exporter and which does not enjoy any preferential treatment. These two countries are only taken as examples for purposes of this "pilot" paper and the situation of other countries will have to be studied as the work of the secretariat proceeds and expands.

In Ecuador, agriculture represents 35 per cent of the gross domestic product and almost half the agricultural production is intended for export. Total exports amounted to $130 million in 1961, of which bananas accounted for over 60 per cent and coffee and cocoa together for about 25 per cent. The volume of Ecuador's exports rose rapidly during the 1950s, due mainly to the development of banana exports which more than doubled between 1953 and 1961. However, although banana prices remained stable during that period, the value of total exports rose less rapidly because of the decline in coffee and cocoa prices since 1954.

The share of agriculture in the gross domestic product of the Windward Islands is in the region of 40 per cent, and half the agricultural production is destined for export. Bananas constitute almost 60 per cent of total exports, and cocoa about 15 per cent; the Windward Islands also export citrus fruit, fruit juice, coconut and nutmeg. Bananas exports were nil before the war, 5,000 tons towards 1950 and in excess of 100,000 tons in 1961. This rapid development enabled total exports by the Windward Islands to rise during the 1950s despite the stagnation of all other exports.

As we have seen, a lowering of retail prices in the countries where import prices are higher than world prices might lead to an increase of between 50,000 and 100,000 tons per year in banana consumption. This would correspond to a rise of about 2 per cent in world banana exports. An estimate can be made of the effects on world trade in bananas of the abolition of existing preferential arrangements if one assumes:

(i) that the exporting countries benefiting from sheltered markets would sell at prices similar to those prevailing for the Latin American countries;

(ii) that each country would obtain a share in the volume increase of world exports proportionate to its total exports in 1961.
On the basis of these assumptions, the value of banana exports by Ecuador would rise by 2 per cent and its total exports by about 1 per cent. For the Windward Islands, the volume of exports might also rise by 2 per cent. However, the export earnings of these islands, like those of other exporters enjoying privileged access to the British market, would fall as a result of the alignment of their prices with world prices. In the case of the Windward Islands this reduction, of the order of $6 million\(^1\), would result in a decline of about 40 per cent in total exports. Possibilities for diversifying agriculture seem very limited and the obligation to reduce banana production costs to a level close to that prevailing in Latin American countries might have a marked effect on the volume of production. Latin American countries seem to enjoy production conditions more favourable than the Windward Islands, and accordingly their costs are lower:

(i) the Windward Islands - like Jamaica - cannot grow the Gros Michel variety because of the existence of Panama disease, but only the Lacatan or Poyo varieties whose yield by weight is lower than that of the Gros Michel\(^2\);

(ii) the Lacatan banana needs frequent chemical spraying and requires more frequent replanting than the Gros Michel;

(iii) the Lacatan banana is more difficult and costly to handle than the Gros Michel;

(iv) the hilly terrain in the West Indies is more difficult to cultivate and the cost of transport to the ports is higher distance for distance than in Ecuador.

Although the information available to the secretariat on production conditions in Africa is not very abundant, it would appear that Somalia would have difficulty in achieving production costs similar to those of the Latin American countries; for the countries of West Africa, on the other hand, it is not certain that the climatic and soil conditions are very unfavourable as compared with those of the Latin American countries. A more detailed and more complete study for determining the factors which influence production costs in the principal producing countries could be made if the necessary data could be collected by the countries concerned and communicated to the secretariat.

As the information available has not enabled a study to be undertaken of the future evolution of banana production, it is not possible to forecast the evolution of prices on world markets. Taking into account not only the effect of removal of the preferential arrangements existing in the United Kingdom, France and Italy but also of the probable evolution of demand in importing

\(^1\)For the other countries enjoying privileged access to the British market, it would be of the order of $9 million.

\(^2\)The weight of a stem of bananas in the West Indies may in some cases be only half of that obtained in Ecuador.
countries as a whole, the volume of world exports seems likely to rise at the rate of about 2.5 to 3 per cent per annum during the next few years. If Ecuador's exports rise at the same rate as world exports, and if prices remain stable, that country's export earnings might show a moderate increase, by 15 per cent in five years' time. In the Windward Islands, on the other hand, a rise of 2.5 to 3 per cent per year in the volume of banana exports, even if accompanied by a similar increase in the value of other exports, could only partly offset the decline in export earnings resulting from the loss of higher prices on the British market; on the basis of these assumptions, the total export earnings of these islands might decline by about one quarter over the next five years.

The indications just given must be considered only as orders of magnitude. Any more precise assessment of the probable evolution of export earnings of the banana-producing countries would have to be based on the results of the more detailed studies mentioned above regarding the factors which influence consumer behaviour, the costs of transport between the exporting country and the importing country, production costs and the conditions in which marketing and transport take place in the exporting countries.
NOTE ON COFFEE BY THE SECRETARIAT

Consumption

In North America as well as in the countries of North-West Europe, which are at present the two main coffee-importing regions, indications are that if retail prices do not change too substantially and if incomes continue to rise at rates similar to those recorded during the 1950's, coffee consumption might grow in the coming years at an annual rate of the order of 2.5 to 3 per cent. In North America, where the annual per caput consumption is at present 7 kg., the rise in total consumption would be mainly due to population increase, while for the countries of North-West Europe a decisive factor would be the improvement in per caput income.

In Latin America, Africa and Asia, consumption might rise rapidly in the next few years if in these countries national income itself rises at an annual rate of 5 per cent or more - the minimum desirable rate mentioned in Resolution 1710 (XVI) adopted by the United Nations General Assembly in 1961. In this perspective, consumption in these regions might grow at an annual rate of about 4 to 5 per cent. A higher rate might be attained if, in addition, the exporting countries were to launch special programmes with a view to promoting coffee sales in countries where per caput consumption is low, in particular in the framework of the International Coffee Agreement, 1962.

Per caput consumption of coffee in the Eastern European countries and mainland China is at present not very high. Although any projections regarding imports by these countries in the coming years are necessarily very tentative their imports may be expected to rise fast during the coming years and to reach the level of 250,000 tons towards 1970 as compared with 70,000 tons in 1961.

Production

The relatively high price levels for coffee on world markets until 1955 encouraged producers in most exporting countries to extend their plantations considerably. Despite the heavy price falls which have occurred in recent years, production seems likely to continue to rise during the next two or three years, as the trees planted in the 1950's arrive at the stage of full yield. World stocks will therefore certainly tend to rise.

During the second half of the 1960's production may tend to become fairly stable in certain countries. Past experience shows that Brazilian production seems to react to variations in coffee prices - whether upward or downward - but with a time-lag of about eight or nine years. Similar reactions, though less marked, seem to exist in the other Latin American countries; it should be noted, however, that Colombia's production has tended to develop without any close relationship to price fluctuations. It seems probable that production in Africa, although it grew rapidly during the 1950's, might also be influenced, at least in certain countries, by price falls which occurred in recent years.
The International Coffee Agreement, 1962, provides that production goals will be established for each producing country which is a member of the Agreement and for the world as a whole. Provision is also made for the measures taken by each producing country to adjust its production, and the results obtained therefrom, to be examined by the International Coffee Council and for the possible withholding of quota increases which might result from the application of the Agreement from countries which have not adopted an effective programme to control their production. These provisions will certainly tend to ensure a better adjustment between demand and production of coffee. In view of the fact that in 1961 world production had reached a level more or less equivalent to the level which world consumption will probably attain towards 1970, the provisions of the Agreement, if they are fully effective, will tend to result in world production towards 1970 being about equivalent to production in 1961.

**Arabica and Robusta coffees**

A number of factors can have a marked influence on the respective shares of Arabica coffee and Robusta coffee in the total consumption of the importing countries. Among them the development of consumption of soluble coffee (which can be prepared from Robusta coffee) and the existence in certain countries of quantitative restrictions, duties and internal charges (which can have an influence either on the relative prices of the various coffee qualities or on the quantities available) deserve particular mention:

(i) **Soluble coffee**

During the 1950's, consumption of soluble coffee developed rapidly in a number of countries. In 1961, soluble coffee production accounted for about 18 per cent of total consumption of green coffee in the United States, about 30 per cent in Canada and 50 per cent in the United Kingdom. The corresponding proportions are lower in the other importing countries: of the order of 15 per cent in Switzerland and the Netherlands, and less than 10 per cent in the other West European countries. According to information available for the United States and certain European countries, consumption of soluble coffee will apparently tend to develop less rapidly during the next decade than in the 1950's.

The Robusta coffee imported into the United States is principally intended for the manufacture of soluble coffee; that country's imports from the African countries rose considerably during the 1950's and reached 280,000 tons in 1961. If soluble coffee consumption continues to develop in the coming years at a rate of about 4 per cent per annum (the rate recorded for the period 1956-61) imports of Robusta coffee might rise by about 100,000 tons in the next ten years.
(ii) Import restrictions and internal charges

Import duties and specific internal charges are levied on coffee in various importing countries and in particular in Germany, Italy, and France. In a number of importing countries, in particular France, Denmark, and Norway, imports are subject to quantitative restrictions. It would seem that modifications to the import barriers existing in Germany and France might have a substantial effect on the relative share of Robusta and Arabica coffees in total imports by these two countries.

In Germany, consumption of Robusta coffee is at present very low. Considering that consumption of coffee substitutes is not negligible in that country, one might infer that the high level of the duties and specific taxes levied on coffee1 has the effect of discouraging consumption of the cheaper coffees, in particular Robusta coffee. It is therefore possible that a large part of the consumption increase which might be expected to follow abolition of the duties and charges currently applied would consist of Robusta coffees, and that consumption of coffee substitutes would tend to decrease.

In France, import quotas have the effect inter alia of limiting consumption of Arabica coffee to the advantage of Robusta coffee. Arabica coffee accounts for about 30 per cent of total consumption as compared with 60 per cent or more in other countries of the European Economic Community. It seems likely that any abolition of quota restrictions on imports would be followed fairly quickly by a marked rise in consumption of Arabica coffee, to the detriment of Robusta coffee.

Effects on exports of certain countries of the removal of trade barriers

As we have just seen, the abolition of barriers to trade in importing countries might cause changes in the composition of their imports as between Arabica and Robusta coffee. The abolition of duties and internal charges would also permit the volume of world coffee exports to rise. This question has been examined by Committee III (see its third and fourth reports) which, while recognizing that a fairly wide margin of uncertainty existed in the appraisal of the effects of a broad variation of price levels on the volume of consumption, presented

1In 1961 the average import price of Arabica coffee in Germany was in the neighbourhood of $1,000 per ton and duties and charges amounted to about $1,150 per ton. In the case of Robusta coffee, for which the c.i.f. price would be of the order of $450, the duties and taxes would treble that price.
calculations on the basis of which it may be estimated that the complete abolition of import duties and internal charges on coffee might result in a consumption increase of the order of 45,000 to 75,000 tons for Germany, 10,000 to 20,000 tons for France, and 15,000 to 25,000 tons for Italy.

To obtain a fuller picture of the effect on coffee imports of the removal of the trade barriers at present existing, various points would have to be studied further. It would in particular be necessary to determine as precisely as possible the increases in consumption which are likely to ensue from a liberalization of coffee imports and from the corresponding possible lowering of retail prices. It would also be of importance to estimate the new relative proportions of Arabica and Robusta coffee in total consumption likely to prevail in countries such as France and Germany where large changes in the consumption pattern may be expected to occur. Furthermore, the conditions of competition among the various qualities of Arabica coffee would have to be investigated.

As an illustration, some indications will now be given on the repercussions these modifications of conditions of sale on world markets would have on the economic situation of the Ivory Coast, which enjoys sheltered access on the French market and derives half of its export earnings from coffee, and on that of Colombia, which does not enjoy any preferential treatment and whose coffee exports represent almost three quarters of total exports. These two countries are only taken as examples for purposes of this "pilot" paper and the situation of other countries will also have to be studied as the work of the secretariat proceeds and expands.

In Colombia, agriculture accounts for more than one third of the gross domestic product and coffee production represents more than one quarter of agricultural production. Apart from coffee, exports of which amounted to $310 million in 1961, Colombia exports crude petroleum and petroleum products of a value of $75 million, bananas of a value of $14 million and various other products of a total value of approximately $30 million. Coffee exports mainly go to the United States, which in 1961 took up more than two thirds of the total, to Germany, which imported 40,000 tons, and to various European countries. The average export price obtained by Colombia in 1961 was about $910 per ton.

1According to the statement made by the representative of the FAO to the meeting of Committee III in May 1962 (document COM.III/84), "the removal of all taxes and duties could be expected to stimulate an increase in consumption of some 70-80,000 tons a year, or close to 4 per cent quantity moving in international trade". He further added that he was "inclined to put the figure somewhat higher - say, at around 100,000 tons. For one thing the removal of tax charges would probably also reduce trade margins, for another thing ... the psychological effects of a substantial reduction in retail prices in the countries which have had very high prices would be very pronounced and would give a substantial stimulus to consumption."
Agricultural production represents about one half of the gross domestic product of the Ivory Coast, and one half of the total agricultural income is derived from the production of tropical products intended for export. Earnings from coffee exports amounted to $81 million in 1961. The other important export products are cocoa, timber, and bananas, exports of which in 1961 amounted respectively to $39 million, $33 million and $8 million. Coffee from the Ivory Coast is exported mainly to France and Algeria, which together imported 100,000 tons in 1961. Substantial quantities are also exported to other countries, particularly the United States (36,000 tons in 1961), Italy and Morocco. The Ivory Coast enjoys privileged access to the French market and the prices received by the Ivory Coast for these exports to France\(^1\) are higher than the prices received for shipments to other destinations. In 1961 the average prices were in the neighbourhood of $600 per ton for exports to France and $350 for exports to the United States and Italy.

World consumption of coffee may be expected to rise at an annual rate of the order of 3.5 to 4 per cent in the next few years and if coffee prices remain stable or tend to rise the earnings of major exporting countries such as Colombia are likely to rise accordingly. For Colombia, this would signify a reversal of the trend observed between 1954 and 1961 when the value of exports fell at the rate of 4.5 per cent per annum with a consequent decline in the volume of imports at the rate of about 4 per cent per annum and a deterioration in the trade deficit. In the Ivory Coast, the total value of exports rose by 14 per cent between 1954 and 1961, an average 40 per cent drop in prices being more than offset by a 90 per cent rise in the volume of exports. Over that period, coffee exports rose by 75 per cent in volume and fell by 13 per cent in value. Even assuming that other exports by the Ivory Coast continued to develop rapidly, the value of exports by that country would seem likely to remain stagnant over the next five years if the volume of its coffee exports tended to rise at the same rate as world exports and if its prices were to approximate world prices.\(^2\)

The indications just given are to be regarded only as tentative. Before any final conclusions can be reached both further studies of a general nature and further country studies will have to be undertaken. Apart from the indications given above of particular points requiring further study there should be more detailed studies of the possible developments of world production and consumption.

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1 In 1961 Algeria was part of the territory of the French Republic.

2 If the Ivory Coast were to export to France at the same prices as to other destinations its export proceeds would be reduced by about $25 million. For the other countries associated with France, taken together, the corresponding fall would amount to about $20 million.
As regards production in exporting countries, the relationship between new plantings and production conditions - in particular prices paid to growers - should be examined. As regards consumption, it should be recalled that imports into Eastern Europe and the USSR as well as into other countries where consumption is at present low might develop substantially. Questions of quality differences within Arabica itself, in addition to differences between Arabica and Robusta, should also be considered. Moreover, consumer reaction to changes in income and in the retail price levels of the various qualities of coffee should be subjected to a detailed analysis.
NOTE ON OILSEEDS AND VEGETABLE OILS BY THE SECRETARIAT

Consumption

During the 1950's, consumption of animal and vegetable fats and oils rose at an annual rate close to 3 per cent per annum in Western Europe, the largest importing region for oils and oilseeds. Per caput consumption levels are at present higher than in the pre-war period and are unlikely to rise by more than 2 per cent per annum in the next few years, even if incomes continue to rise at a rate equivalent to that recorded during the 1950's. For the countries in this region taken together, total annual consumption of fats and oils in recent years was of the order of 8 million tons (fat content). Vegetable oils accounted for 55 per cent of the total, butter for nearly 20 per cent, and the other fats and oils of animal origin (including marine oils) for slightly more than one quarter. Imports covered about one half of total requirements; however, although the proportion of imports was less than 20 per cent for all animal fats and oils, it was more than 70 per cent for vegetable oils taken together.

In North America, where per caput consumption is close to 30 kg. per annum, saturation point seems to have been reached a number of years ago. Due to population increase, however, total demand might rise at an annual rate of about 2 per cent in coming years. The share of vegetable oils in total consumption is slightly over 50 per cent, that of butter about 10 per cent and that of other animal fats about 40 per cent. The United States is a net exporter of fats and oils: exports represented one third of production in the case of vegetable fats and oils as well as animal fats.

In the other regions of the world which are traditionally exporters of vegetable oils and fat, per caput consumption of fats and oils is generally low, but tends to grow rapidly when incomes rise.¹ If in coming years national income in all these regions taken together rises at an annual rate in the neighbourhood of 5 per cent - considered by the United Nations to be the minimum desirable rate - their consumption of fats and oils might rise by 60 per cent over the next ten years. In South-East Asia, production would probably not be able to rise so rapidly and net exports, which are at present in the neighbourhood of 1 million tons, might give way to net imports towards the end of the 1960's. In Africa, on the other hand, net exports seem likely to continue at a level in the region of that attained in recent years, i.e. about 1 million tons. Taking into account the growing deficit of the Latin American countries, the developing countries as a whole might become net importers of fats and oils in about ten years' time.

¹ In the developing countries, income elasticity for fats and oils as a whole is often equal to or higher than unity.
For many uses, substitutions can be made as between various fats and oils. In the first place, animal fats can replace vegetable oils for food as well as for industrial uses, and secondly, there is considerable scope for substitution as between vegetable oils. Changes of this kind occurred in Europe during the 1950's and seem likely to continue:

(i) The development of meat and milk production is accompanied by a corresponding rise in available quantities of butter and other animal fats; furthermore, the rise in world production of fish oils fosters their growing use in the countries which import fats and oils. In conjunction, these trends might result in a marked rise in the proportion of animal fats and oils in Europe's total consumption of fats and oils.

(ii) In recent years there has been a rapid rise in imports of soybeans and cottonseed oil by a number of European countries, in particular Germany and the Netherlands. In those countries, where there is no marked consumer preference for groundnut oil, the latter can easily be replaced for all uses in food by soybean oil or cottonseed oil. Having regard to their growing fodder requirements and because of the relatively low price of soybeans, these countries have tended to increase their imports of soybeans rather than those of other oilseeds.

Substitution possibilities as between vegetable oils are also evident if one compares consumption of soft oils and hard oils in various countries. Whereas in Western Europe hard oils are often the essential component of margarine, they are used to a much lesser degree in the United States, where soybean or cottonseed oils constitute three quarters of the fats and oils needed for manufacturing margarine and other cooking fats. Likewise, while groundnut oil and olive oil are extensively consumed in Europe for table and cooking purposes, their use is very limited in the United States, where soybean and cottonseed oils are, on the contrary, in general use.

World trade

World exports of oilseeds (not including those used exclusively for industrial purposes) amounted to about 5 million tons (oil equivalent) in 1960-1961. The proportion of tropical oilseeds and oils, exported mainly by developing countries, dropped steadily during the 1950's, from more than 80 per cent in 1951-1953 to about 60 per cent in 1960-1961. Soybeans and oil and cottonseed and oil, exported chiefly by the United States, at present account for almost one third of world exports; trade in olive oil, sunflower oil and rapeseed oil, mainly among European countries, represents about 10 per cent of world trade.

\[1\] World exports of linseed and linseed oil, castor beans and oil, and tung oil amounted to about 0.6 million tons (oil equivalent) in 1960.
In 1961 world exports of soft oil and corresponding oilseeds amounted to about 2.6 million tons, (in terms of oil); more than 40 per cent consisted of soybeans and soybean oil, one third of groundnuts and the remainder of seeds or oils of cotton, olive, rape and sunflower. Of the approximately 2.3 million tons (in terms of oil) of hard oils and corresponding oilseeds exported during the same year, copra and coconut oil accounted for 60 per cent, the remainder being made up of palm kernels, palm kernel oil and palm oil.

In 1960 about 45 per cent of world exports of soybeans and soya oil were shipped to countries of North-Western Europe (mainly the United Kingdom and EEC countries other than France) and 15 per cent to Japan. United States shipments under Public Law 480 represented in 1960 more than one quarter of world exports and nearly three quarters of these shipments went to countries of Mediterranean Europe (except Italy) and Poland.

For groundnuts and groundnut oil the largest import market is to be found in Western Europe, which imported about 600,000 tons in 1960, or over 80 per cent of world exports. France, where consumption rose rapidly during the 1950's, imported 300,000 tons of groundnuts and groundnut oil in 1960, of which 80 per cent came from associated countries of the franc area, whose exports were nearly entirely absorbed by France. The other countries of the European Economic Community, whose consumption of groundnuts has tended to decline somewhat since 1955-1956 while soya consumption rose two-fold, imported 130,000 tons in 1960, mostly from Commonwealth countries and other countries not associated with the EEC. In the United Kingdom, where consumption has dropped almost continuously since 1954-1955, imports of groundnuts and groundnut oil amounted to 100,000 tons in 1960, imported exclusively from Commonwealth countries, representing about 35 per cent of total exports by those countries in that year.

Imports of palm kernels, palm kernel oil and palm oil by Western Europe, 850,000 tons in 1960, accounted for roughly 90 per cent of world exports. The EEC countries imported 460,000 tons in 1960, of which 210,000 tons came from associated countries, representing 80 per cent of total exports by those countries. United Kingdom imports, nearly 300,000 tons in 1960, came from Commonwealth countries, representing over half of their exports. The United States imported 60,000 tons in 1960, or about 6 per cent of world exports.

For copra and coconut oil, approximately half of world exports are sent to Europe, one quarter to the United States and one quarter to Asia. In 1960, the EEC countries imported 430,000 tons (70 per cent of European imports), mainly from Asian countries, and the United Kingdom 75,000 tons, exclusively from Commonwealth countries. United States imports (300,000 tons in 1960) were supplied mainly by the Philippines and represented 45 per cent of total copra and coconut oil exports by that country, which enjoys preferential treatment on the United States market.
Effects of a removal of import barriers

Support measures for farm production and import controls on competitive products are applied in most European countries and in the United States. As the reports of Committee II show, these measures have had significant effects on the evolution of trade in foodstuffs. Imports of tropical oilseeds and oils into Western Europe have been affected by these measures insofar as the development of animal husbandry in those countries is conditioned by government agricultural policies. Moreover, the rapid increase in soybean production in the United States has in part been encouraged by the agricultural policy pursued in that country. Lastly, support measures are applied in several European countries to production of oilseeds and olive oil.

Meat consumption in industrial countries may be expected to rise by about 3 per cent annually over the next few years. This increasing demand will undoubtedly lead to greater demand for oil cakes both in Western Europe and in North America. Soya, one of the plants capable of being grown in good conditions in the United States in areas suitable for grain cultivation, and whose beans are rich in proteins, is playing an increasingly important role in the agricultural economy of the United States. In Europe as well, the growing demand for oil cakes may condition to a large extent the relative level of imports of various oilseeds. It therefore seems that a thorough-going study of the evolution of the world market for tropical oilseeds and oils cannot be undertaken without considering general trends in the agricultural policies followed in the industrialized countries.

Import barriers against tropical oilseeds exist in many countries. In view of the diversity and complexity of these barriers\(^1\), any estimation of the effects of their removal on trade in tropical oilseeds requires a detailed study of the situation in each of the countries concerned. Nevertheless, several indications will be given here concerning France and the United States, countries applying quota systems which are designed both to support domestic production and to enable certain tropical exporting countries to enjoy privileged access.

A comparison of the structure of French consumption with that of its European neighbours brings out in particular that its consumption of groundnut oil is comparatively high, while that of other soft oils is very low. Despite the fact that consumers have become accustomed to the taste of groundnut oil, it appears that liberalization of the French market would in all likelihood entail in the long run a sizeable increase in consumption of other soft oils, especially soybean oil and cottonseed oil. It should also be mentioned that

\(^1\)These barriers have been identified and examined as part of the work of Committee III.
Import prices in France for groundnuts and groundnut oil from countries in the franc area are above world prices. In 1961 the difference was about $20 per ton for shelled groundnuts and about $80 per ton for crude groundnut oil.

In the United States there is virtually no consumption of groundnuts in the form of oil; these are mainly consumed either as peanut butter, or in nut form. Moreover, as already mentioned, soybean oil is the essential constituent of margarine, whereas hard oils are virtually confined to industrial uses. Removal of trade barriers in the United States on tropical oilseeds and oils could affect imports of copra and hard oils as well as of groundnuts.

As the soybean is used for the production of both animal fodder and oil, it may be said that to a large extent this second use is its marginal use. The consumption of oilcake and the price paid for it largely depend on the prices paid to farmers for animal products. For this reason it seems unlikely that, in the United States, a removal of barriers to trade in hard oils would enable these oils to displace soybean and cottonseed oils on a large scale in the manufacture of margarine and shortening unless the agricultural policy in that country were altered substantially. As regards groundnuts, a significant rise in the consumption of groundnut oil in the United States does not seem very likely, but the abolition of quotas and duties on the seeds could lead to substitution of the imported seeds for those produced domestically for the traditional uses which at present represent a market of about 450,000 tons (shelled groundnuts).

Exports of oilseeds and vegetable oils are of great importance to countries such as Senegal and Nigeria for which they represented 75 per cent and 40 per cent respectively of total exports in 1961. These two countries are only taken as examples for purposes of this "pilot" paper and the situation of other countries will have to be studied as the work of the secretariat proceeds and expands.

Groundnuts hold a predominant place in Senegal's export trade, and exports to France account for nearly 90 per cent of total exports of shelled groundnuts as well as of oil. The abolition of the quota system applied in France would certainly have the effect of lowering the prices obtained by Senegal for its exports and would probably also cause a drop in the volume of its shipments to France. In 1961, if exports had taken place at world prices, Senegal's export earnings would have been about $15 million, or 12 per cent, lower. On the basis of the information given in the present note, no determination can be made as to whether the abolition of import barriers in other countries, in particular the United States and the EEC countries other than France, would be likely to offset the fall in the volume of Senegal's exports to France.

1 These figures have been obtained by a comparison between the unit values of imports into the United Kingdom from Nigeria and into France from Senegal.
In the case of Nigeria, cocoa is also an important export product, together with cotton, rubber and petroleum products. In 1961, exports of groundnuts and groundnut oil amounted to $105 million and exports of palm kernels and palm oil to $90 million, almost entirely shipped to European countries, mainly the United Kingdom and the Netherlands. As in the case of Senegal, it does not seem possible on the basis of the information so far examined to assess to what extent exports of oilseeds and vegetable oils from Nigeria would increase as a consequence of the abolition of trade barriers in the industrialized countries.

For several reasons mentioned in the present note, careful and detailed studies would be required for a precise determination of the effects of complete liberalization of trade in oilseeds and tropical oils. It may be useful to recall some of these reasons here:

(i) in the industrialized countries, the general agricultural policy of supporting domestic production often has significant repercussions on the nature and scope of the restrictions imposed on imports of tropical oilseeds and oils; it does not seem possible to consider the effects of removal of these restrictions without making some assumptions as to the changes in policy regarding agricultural products which such removal would inevitably entail.

(ii) In the developing countries, consumption of fats and oils will tend to grow rapidly in the coming years but it is difficult to foresee the scope of this movement without making assumptions as to the steps which might be taken in these countries to encourage production and the import barriers which they might be led to impose in order to ensure balance-of-payments equilibrium. The extent to which such measures are in fact applied will affect the rate at which consumption will increase and at which trade can be expanded.

(iii) Numerous countries follow a policy of agricultural support. In addition, there exists a multiplicity of restrictions, often complex, on imports of tropical oilseeds and oils. Furthermore, fats and oils are numerous and offer broad possibilities for substitution. Lastly, these substances are frequently obtained as by-products: this is the case for slaughter fats, cottonseed oil and, to some extent, soybean oil.