

25 March 1960

Committee III - Expansion of TradeDRAFT THIRD REPORT OF COMMITTEE III  
ON EXPANSION OF TRADEAddendumOILSEEDS AND VEGETABLE OILS

1. The Committee examined the factors affecting the international market for oilseeds and vegetable oils and in particular the measures which had been identified in the second report of the Committee (COM.III/12/Rev.1) as restricting the export earning capacity of less-developed countries in respect of these commodities. It was realized that many of these countries because of favourable climatic and general economic conditions/would continue to depend for part of their export earnings on the production of oleaginous crops in view of such factors as the need for rotation, diversification of agriculture, earnings from cash crops and yield per unit of land. The Committee recognized that the solution to the problem of expanding the export trade in these commodities was complicated by the surplus conditions characterizing the world market for other products, such as dairy fats and other animal fats which were competitive with and substitutes for vegetable oils.

2. Having in mind the above considerations the Committee noted that the export trade in oilseeds, and especially the trade in the processed product, was in many instances limited by a high degree of protection which operated both through tariffs and to a marked extent also through quantitative restrictions, State-trading practices, mixing regulations and other measures. It appeared that protection was afforded not only to agricultural producers of these commodities and to the vegetable oil producing industry in importing countries, but often was imposed also on behalf of producers of substitute commodities. The Committee agreed that the widespread differentiation in import treatment, according to the stage of processing, in favour of imports

of the raw material was on the whole a factor unfavourable to the development of oilseed processing industries in less-developed countries to the extent that their oil products were subject to such differentiation. The Committee noted in this connexion that, on the one hand, vegetable oil exports from less-developed countries were in most instances only a small proportion of oleaginous raw material exports from these same countries and that, on the other hand, some industrial countries which did not have a domestic raw material base for the production of certain vegetable oils were nevertheless important exporters of these oils. It was pointed out that the differential treatment in the import of raw materials and processed goods often led to unsatisfactory levels of utilization of installed capacity for countries such as Brazil which had had an oil crushing industry for some considerable time and which lacked neither the know-how nor the technical resources for efficient production. On the subject of world levels of production of oilseeds and vegetable oils reference was made to the operation in some countries of support measures for these commodities and to the effect of such policies on export markets. This subject had been discussed in Committee II, for example in connexion with the consultation on agricultural policies with the United States (Spec(60)22), and these discussions, it was stated, indicated that such price support measures might lead to export surpluses, thus unfavourably affecting the export markets of less-developed countries.

3. The hope was expressed that the proposed rates of the Common Tariff of the European Economic Community would not be high; if they were they would be an illustration of the differential treatment of raw materials and processed products which limited the export earning capacity of less-developed countries. The Committee noted the assurance of a representative of the EEC that in fixing tariffs on vegetable oils the Community had taken into account and was sympathetic to the need particularly of less-developed countries, to increase their export earnings.

4. In the discussion of mixing regulations in force in several countries, the representative of the Federal Republic of Germany stated that his Government had suspended for the months of June, July and August the mixing regulation, which required that in the production of margarine, 5 per cent of the fat content be derived from domestically produced rapeseed. He added that this regulation affected only a very small part of imports of vegetable oil products. The Committee hoped that the regulation could eventually be altogether abandoned.