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COMMODITY PROBLEMS AND POLICIES

Consultations among producing countries
(on commodities of export interest to the African countries)

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TABLE OF CONTENTS

	Page	Paragraph
INTRODUCTION	1 - 2	1 - 13
SUMMARY AND CONCLUSIONS	3 - 5	14 - 35
CHAPTER I: CITRUS FRUITS	6 - 33	36 - 166
CHAPTER II: COFFEE	34 - 52	167 - 228
CHAPTER III: COCOA	53 - 66	229 - 293
CHAPTER IV: GROUNDNUTS	67 - 85	294 - 385
CHAPTER V: RUBBER	86 - 102	386 - 460
CHAPTER VI: IRON ORE	103 - 122	461 - 522
CHAPTER VII: PHOSPHATES	123 - 139	523 - 604
ANNEX	1 - 8	

INTRODUCTION

1. Among the proposals on which no agreement was reached at the second session of the United Nations Conference on Trade and Development was the one on consultations among producing countries. In accordance with this proposal 1/, "producing countries should, if necessary, consult and co-operate among themselves in order to co-ordinate effectively their policies in the commodity field", and the Secretary-General of UNCTAD was requested, if so required by the governments concerned, to assist in the holding of such consultations.

2. This proposal, submitted by the group of developing countries, which took it from the Charter of Algiers, was considered inacceptable by the developed market economy countries. The Conference decided to refer it to the Trade and Development Board for further examination. Both the Board and the Committee on Commodities in turn, however, were obliged to note that no further rapprochement of attitudes had taken place since the second session of UNCTAD.

3. Finally the matter was included in the agenda of the 5th session of the Committee on Commodities, to be held in July 1970.

4. Meanwhile at their third joint meeting, the ECA Working Party on Intra-African Trade and the OAU Expert Committee on Trade and Development adopted a resolution under which the African countries, with the help of ECA, should take a more active part in setting up associations and groups of producing countries so as to enable the latter eventually to take up an independent stand on defending their interests in commodity markets.

5. At their fourth joint meeting in Geneva in August 1969, the members of the ECA/OAU Working Party recommended "that the ECA continue to study the question of consultations among commodity-producing countries".2/

6. The present report 3/ prepared by ECA with the help of an UNCTAD consultant, is part of the work on this matter which ECA has decided to carry out in response to the request of the joint working party.

1/ UNCTAD, second session, Vol.I, p. 397.

2/ Report of the Fourth Joint Meeting of the ECA Working Party on Intra-African Trade and the OAU Expert Committee on Trade and Development. E/CN.14/459, E/CN.14/WP.1/24/Rev.3.

3/ A note on the same subject (E/CN.14/WP.1/23) was submitted to the Fourth Joint ECA/OAU Meeting by ECA.

7. The objectives of this study are:

a) to review problems of commodities of export interest to the African developing countries on the world market;

b) to review international action on such commodities already taken or being contemplated;

c) to make proposals for concerted action which the African countries concerned might take either alone or in conjunction with other producing countries to help in solving the problems involved.

8. As to the scope of this study for obvious practical reasons there was no question of covering all commodities, or even all the major commodities of export interest to the African countries.

9. It seemed preferable at this stage to restrict the study to a small number of commodities - citrus fruits, coffee, cocoa, groundnuts, rubber, iron ore and phosphates - and to extend the list later if the countries concerned so desired.

10. However, even this limited number of commodities is of no small interest.

11. The value of the African countries' earnings from exports of these commodities in 1968 amounted to $2,049,000, which was nearly 20 per cent of the overall export earnings of developing Africa. 1/

12. Moreover, these commodities represent a fairly wide sample of the kind of product exported by the African countries as a whole, and of the problems facing these countries on the world market.

13. The plan adopted in studying each commodity is as follows:

1. Position of the world market.
2. Position of the African countries on the world market of the commodity in question.
3. Problems and prospects.
4. International action.
5. Proposals for concerted action by producing countries.

1/ Figures based on statistics quoted in an unpublished ECA document entitled "A Survey of Economic Conditions in Africa - Part I".

SUMMARY AND CONCLUSIONS OF THE STUDY

14. The commodities covered by this study, few as they are, are very varied.

15. Two (iron ore and phosphates) are mining commodities; the others are agricultural, mainly typically tropical, but with one temperate-zone commodity (citrus fruits). Some of them - cocoa and especially coffee - are very hard to replace; others, such as groundnuts and natural rubber, can be and often are replaced: by primary commodities in the first case, and an industrial product in the second.

16. Analysis of the present world market position of these commodities has revealed the existence of other major differences. To take into account only the present position and current prices, two of them groundnuts and coffee - are holding up fairly well, whereas rubber, iron ore and cocoa are in varying degrees showing a downward trend.

17. Above all, the relationship with forces within the world market differs considerably according to the commodity.

18. Most of the world production and export of cocoa originates from Africa, and so does the major part of world groundnut exports. Although African exports of phosphates, citrus fruits and coffee represent a large proportion world market, supplies they provide less than half the supplies of each of the commodities involved. Africa's share of world exports of iron ore and rubber is very small.

19. In addition to the African countries, two other major groups of countries play a part in the world market for the commodities dealt with in this study. Firstly, Asia and Latin America (other developing regions) which produce and export most of the world's natural rubber and coffee. Secondly, the developed Eastern and especially Western countries, which together produce and export most of the world's phosphates, iron ore and citrus fruits, and whose production and/or export of soyabean, sunflower and synthetic rubber are dangerous rivals to African exports of groundnuts and natural rubber.

20. In view of this, it is not surprising that the African countries in particular are facing problems on the world market which appear to be and indeed from certain points of view are quite different, or whose scope and meaning vary with the commodities. There are problems of direct competition with the developed countries in some cases; problems of competition with synthetic and substitute products in others; problems of adjusting to changing consumer tastes in others again.

21. Analysis of the world situation of these commodities and of the problems facing the African countries in this connexion has nevertheless a great revealed many common denominators.

22. Firstly, as regards the world market position, the major feature noted is that approximately 70 per cent of African exports of these commodities, whatever their nature, go to the European member countries of OECD.

23. A number of problems appear all through the survey: the problem of competition between African countries, although in varying degrees and in different forms; the problem of competition between African and other developing countries; the problem of unstable prices; the problem of intervention by middlemen of all kinds (notably brokers and speculating commission agents) who act as a barrier between the African countries and purchaser/users; the problem of over-production, present, potential and especially foreseeable in the medium term; problems of transporting the commodities to their final destination; problems of market access, especially when commodities have undergone a degree of processing.

24. International action on these problems has generally been of limited unequal efficacy. In its widest form, that is to say when it includes the principal trade partners, notably exporters and importers, such action has taken the form of a standard agreement in only one case (coffee), although negotiations on cocoa are in progress. Recently, international action on iron ore started and has been intensified on groundnuts, but in neither case is a favourable outcome certain; international action on citrus fruits and rubber is marking time, and it is practically non-existent on phosphates.

25. At any rate, one of the major facts revealed by the study is that even in the case of coffee, which of all the commodities dealt with is the subject of the widest and fullest international action, are still confronting the African countries, in spite of the number of problems definite advantages they have gained from taking part in the Agreement.

26. Some problems, then, still remain, either because no significant international action has been taken on the commodities in question, or because they are outside the scope of existing organizations, or again because even when they are within the competence of international action it has not been possible to solve them.

27. A number of African producers have felt the need to join forces, notably as regards coffee and groundnuts, theoretically so as to remedy these shortcomings and failings in international action and to be in a better position to defend themselves against consumers or other producers. However, action by producer organizations although sometimes extremely useful, is very often also of limited scope and efficacy.

28. Having regard to all these points, a number of "proposals for concerted action" by producing countries have been made. 1/

1/ For the sake of convenience, a summary of proposals made in the study for each of the commodities in question, is given in the annex.

29. These proposals vary a great deal in type and scope. Some are based on an "independent strategy", in that their implementation would require practically no intervention other than that of the African States directly concerned. Others, however, would involve some form of participation by other producing countries, most often developing, less often developed; sometimes official or unofficial support from importing countries; and on occasion collaboration by non-producing African countries.

30. The various strategies in the context of which the proposed action is situated have in many cases been explored only in preliminary fashion, and are generally suggested as alternatives.

31. It is now up to the countries concerned to give their opinions on the various proposals put forward in this study, and to state how the ones they prefer might be developed and given more concrete form.

32. ECA could help to hold consultations between the African countries concerned, at their request, and assist them in putting the proposals into effect.

33. Meanwhile, without prejudging practical follow-up to this study, the overall conclusion would seem to be that in view of the many, varied and difficult problems confronting the African countries in selling their commodities on the world market, and in spite of the limitations and constraints facing them, are a number of ways in which these countries could take joint action, either alone or together with others, with a view to surmounting their present difficulties or at any rate providing what might prove to be an important contribution to solving them.

34. To identify such action, commodity-by-commodity studies, or studies on groups of commodities are indispensable.

35. There are great difficulties in the way of implementing such action. However, if there is a true determination to co-operate among the countries concerned, it should be possible to overcome a good many of them.

CHAPTER I

CITRUS FRUITS 1/

SECTION I. The world citrus market

A. Production

36. World production of citrus fruits (oranges, tangerines, lemons, limes and grapefruit) has expanded very rapidly during the last ten years, by nearly 50 per cent. It rose from 20.7 million metric tons in 1960/61 to 28.6 million in 1967/68, with a record 31 million-ton campaign in 1966/67 (Table 1).

Table 1: Development of world citrus production

(1,000 metric tons)

Years	World total *	Quantity index 1960/61 = 100
1960/61	20 709	100
1961/62	22 785	110
1962/63	21 359	103
1963/64	22 784	110
1964/65	23 428	113
1965/66	26 804	129
1966/67	31 139	150
1967/68	28 575	138

*Mainland China and USSR excluded over the period 1960/65.

1/ The statistics quoted in this study are taken from publications issued by FAO (particularly the reports of the Study Group on Citrus Fruits), the UNCTAD/GATT International Trade Centre, the UNCTAD Commodities Division, the Commission des Etudes Economiques of the Comité de liaison de l'agriculture méditerranéenne, and from national sources.

37. There are three major producing areas:

1) North and Central America, including the United States and Mexico;

2) The Mediterranean area, which includes Spain, Morocco, Algeria, Italy, Israel, Gaza, Cyprus and the United Arab Republic;

3) Others, namely, Asia, Africa, Latin America and Oceania. The African countries in the third category are all the African citrus producing countries with the exception of those in the Mediterranean area.

38. There are two points to be noted in connexion with the geographical distribution of citrus production. Firstly, the United States, with over 30 per cent of the world citrus output, is the largest producer even though its share has declined considerably during the last few years. Some 60 per cent of world production comes from the United States of America and the Mediterranean area.

39. Secondly, as regards variety composition, oranges, with no less than 81 per cent, have a leading share. The other two groups - lemons and limes, and grapefruit - share the rest of the output - a little more than 10 per cent for the former and 8 per cent for the latter.

40. It should be noted that an increasingly large part of world citrus production is processed. It is estimated that demands by the processing industry will reach the record figure of 9 million tons in 1967.

41. In volume and value, fruit juice is the major product derived from citrus fruits. In 1967, citrus juice production was of the order of 4 million tons in natural concentrate and some three-quarters of this, according to FAO estimates, was manufactured in the United States.

42. The processing industry has also expanded particularly fast in other producing regions during the last few years. For instance, between 1961 and 1967, processed oranges and mandarines increased by nearly 150 per cent to 700,000 tons. Oranges represent over three-quarters of the total world output of processed citrus fruits, grapefruit 15 per cent and lemons approximately 7 per cent.

B. Exports

43. World trade in citrus fruits affects a relatively small proportion of the total output (a little less than 5 million tons). 80 per cent of this is consumed by the producing countries themselves, particularly in the United States, Japan and Italy.

44. In 1966/67, exports of oranges represented some 79 per cent of the total exports of citrus fruits, while the corresponding figures for lemons and limes on the one hand, and grapefruit on the other, were 13.3 per cent and 7.5 per cent respectively. The variety composition of these exports is generally very steady, the only noteworthy fact being that the share of grapefruit increased by nearly 2 per cent between 1960/61 and 1966/67, as will be seen from Table 2.

Table 2: Exports of oranges, lemons and limes, and grapefruit, in percentage of world exports (Thousands of metric tons)

Years	Oranges	Per cent of world exports	Lemons and Limes	World percentages	Grapefruit	World percentage
1960/61	2 729.9	80.5	464.6	13.7	198.1	5.8
1961/62	3 132.4	81.2	492.5	12.8	230.4	6.0
1962/63	2 799.4	80.3	480.7	13.8	204.6	5.9
1963/64	3 447.3	81.2	554.5	13.1	241.7	5.7
1964/65	3 504.0	80.0	604.0	13.8	274.0	6.3
1965/66	3 565.0	79.1	631.0	14.0	309.0	6.9
1966/67	3 764.0	79.2	632.0	13.3	355.0	7.5

45. The Mediterranean area is the primary world exporter of oranges, lemons and limes. Its share in 1966/67 came to 79.3 per cent and 67.6 per cent respectively for these two groups of citrus fruits. However, the United States is by far the largest exporter of grapefruit; in 1966/67 its exports still represented 34.1 per cent of the world total, in spite of a very considerable decline as compared with 1960/61.

46. Table 3 gives an overall view of the main producing countries' exports for the years 1963/64 - 1966/67.

Table 3:[1] Exports from the major producing countries

A. Oranges and tangerines (in millions of tons)

Major producing countries	Average exports 1963/64 and 1966/67		
	Fresh	Processed	
United States	246	162	408
Mexico	51	18	69
Argentina	1	7	8
Brazil	107	135	242
Australia	25	1	26
Japan	16	74	90
South Africa	283	69	352
Italy	187	61	248
Greece	68	37	105
Spain	1 218	77	1 295
Algeria	194	8	202
Morocco	451	30	481
Cyprus	59	1	60
Israel	454	152	606
Lebanon	86	4	90
Total for countries selected:	3 446	836	4 282
World total:	3 571	925	4 496

1/ Table 3 is based on several tables in an FAO document entitled "Review of 1975 projections for citrus fruit" (CCP: CI 69/5).

B. Lemons and limes (in millions of tons)

Major producing countries	Average exports 1963/64 and 1966/67		
	Fresh	Processed	
United States	107	10	117
Mexico	1	26	27
South Africa	7	2	9
Italy	321	84	405
Greece	39	9	48
Spain	44	-	44
Turkey	11	-	11
Tunisia	6	-	6
Israel	14	11	25
Lebanon	35	2	37
Total for countries selected:	585	144	729
World total:	605	160	765

C. Grapefruit (in millions of tons)

Major producing countries	Average exports 1963/64 and 1966/67		
	Fresh	Processed	
United States	94	48	142
South Africa	37	4	41
Morocco	4	7	11
Cyprus	19	1	20
Israel	98	46	144
Total for countcies selected:	252	106	358
World total:	298	159	458

47. As will be seen from the preceeding tables, Spain is the largest producer of citrus fruits in the world, followed by Israel and the United States of America.

48. The situation as regards exports of processed citrus fruits is somewhat different. Exports of processed citrus fruits advanced considerably between 1960 (300,000 tons) and 1967 (approximately 600,000 tons) and seem likely to expand even faster in the years to come. However, they are still fairly low compared with those of fresh fruit. In addition, the list of major exporters varies significantly in that the United States is at the top, followed by Israel and Brazil.

49. The Mediterranean area as a whole remains the major exporter of processed citrus fruits, with 32.8 per cent of world exports in 1967, while exports from the United States represented only 25.6 per cent. But American exports of orange juice alone, which represent three-quarters of international trade in this field, "weighed" almost as much as those of the whole Mediterranean area in 1967 (25.3 per cent and 27.1 per cent of world exports respectively.

C. World imports

50. World imports of citrus fruits rose from 4.3 million metric tons in 1963/64 to 4.5 million metric tons in 1967/68. Oranges represented 77.3 per cent of the total imports, while lemons and limes on the one hand, and grapefruit on the other, represented 14.4 per cent and 8.3 per cent respectively.

51. Western Europe is the largest outlet for exports of all the three major varieties from all producing regions. However, a brief examination of the structure of Western European imports reveals substantial differences in the region's consumption of the different varieties and in its exact rank in relation to other importers. For instance, Western European orange imports in 1967/68 amounted to over 76.8 per cent of world imports; those of Eastern Europe represented 10 per cent in 1967/68. Imports of lemons and limes represented only 59.7 per cent of world imports of this variety during the same period. The corresponding figure for grapefruit imports was 72.3 per cent. Canadian imports alone, however, represented 19 per cent. Within Western Europe the share of the European Economic Community also varies according to variety, but is always large.

Table 4: Distribution of orange imports (Thousands of metric tons)

Years	World Imports	Canada	% of world imports	Western Europe	% of world imports	EEC	% of world imports	United Kingdom	% of world imports	Eastern Europe	% of world imports
1960/61	2 784.6	174.1	6.3	2 337.8	84.0	1 555.1	55.8	396.8	14.2	112.8	4.1
1961/62	3 166.2	180.7	5.7	2 673.6	84.4	1 817.5	57.4	438.7	13.9	129.1	4.1
1962/63	2 864.2	147.5	5.1	2 334.0	81.5	1 558.0	54.4	381.3	13.3	159.1	5.6
1963/64	3 500.3	170.4	4.9	2 835.0	81.0	1 948.1	55.7	418.2	11.9	219.1	6.3
1964/65	. . .	162.1		2 797.7	. . .	1 910.8	. . .	403.2	. . .	. . .	. .
1965/66	3 610 2	180.8	5.0	2 829.9	78.4	1 918.9	53.2	403.8	11.2	336	9.2
1966/67	3 807 2	208.4	5.5	2 915.5	76.6	1 948.1	51.2	438.1	11.5	388.1	10.2
1967/68	3 514 0	169.2	4.8	2 699.0	76.8	1 783.0	50.7	416.9	11.9	370.0	10.5

Source: FAO

Table 5: Distribution of lemon and lime imports (Thousands of metric tons)

Years	World imports 1/	Western Europe	% of world imports	EEC	% of world imports	United Kingdom	% of world imports	Eastern Europe & USSR	% of world imports
1960/61	453.1	292.2	65.4	197.7	43.6	34.6	7.6	120.1	26.5
1961/62	518.2	344.7	66.5	230.8	44.5	39.1	7.5	136.2	26.3
1962/63	461.9	311.1	67.4	204.3	44.2	33.2	7.2	111.7	24.2
1963/64	561.5	360.0	64.1	241.1	42.9	34.9	6.2	147.6	26.3
1964/65	. . .	374.7	248.7	. . .	35.1	. . .	. .	. . .	. .
1965/66	643.4	378.3	58.8	266.5	39.9	33.3	5.2	45.1	7.0
1966/67	646.3	383.5	59.3	254.3	39.4	33.7	5.2	50.5	7.8
1967/68	653.0	390.0	59.7	260.4	39.9	34.1	5.2	55.0	8.4

Source: FAO

1/ Not including Mainland China.

Table 6: Distribution of grapefruit imports
(in thousands of metric tons)

Years	World imports	Canada	Per cent of world imports	Northern Europe	Per cent of world imports	EEC	Per cent of world imports
1960/61	204.5	69.9	34.2	130.4	63.8	57.1	27.9
1961/62	229.3	71.1	31.0	153.5	66.9	69.8	30.4
1962/63	208.7	52.1	25.0	150.8	72.3	75.1	36.0
1963/64	248.4	53.9	21.7	187.9	75.6	92.1	37.1
1964/65	..	64.0	..	202.8	..	107.9	..
1965/66	319.0	62.2	19.5	232.7	72.9	132.4	41.5
1966/67	368.0	83.2	22.6	254.9	69.3	143.6	39.0
1967/68	377.0	71.8	19.0	274.6	72.8	156.6	41.5

52. The structure of outlets for processed citrus fruits seems to be a little more diversified. This is due to a considerable degree to the divergency of tastes in different markets, which corresponds to the divergency of the products available (concentrated fruit juice, non-concentrated fruit juice, etc.).

53. Canada heads the list of importers, followed by the United Kingdom and the Federal Republic of Germany. The number of suppliers for these important markets has increased considerably during the last few years. Relatively new producing countries such as Israel and Brazil are competing with increasing keenness with the United States for its traditionally leading role in the major markets.

SECTION II. Position of the African countries in the world citrus market

A. Production

54. Several African countries are citrus producers, including Morocco, Algeria, Tunisia, the United Arab Republic, Ethiopia, Libya and Ghana, to mention only a few. However, this study will deal only with the principal producers, namely Morocco, Algeria and Tunisia, which are neighbours for which the sale of citrus fruit abroad involves problems that are not always identical but are often fairly similar.

55. Table 7 shows the size of these three countries' output. The figures cover orange and tangerine production exclusively, and are average figures only. However, these varieties do represent by far the largest tonnages produced by these countries (probably some 90 per cent of all their output).

Table 7: Orange and tangerine production of Algeria, Morocco and Tunisia 1/
(Thousand tons)

Country	Average 1963/64 - 1966/67		
	Oranges	Tangerines	Total
Algeria	292	108	400
Morocco	520	78	598
Tunisia	61	15	76
Total	873	201	1 074

56. This total should notably be compared with the average world production of oranges for the same years (21,857,000 tons, as will be seen from the table), and then with the production of the other large Mediterranean producers: Italy (1,199,000), Spain (1,969,000) and Israel (712,000). It should be noted, however, that in all these countries production has expanded steadily, particularly in Morocco, less in Algeria and Tunisia.

57. For instance Moroccan production (including all varieties) rose to 599,791 tons in 1966/67 and 803,000 tons in the 1967/68 season. 2/

58. Processed citrus fruits represented only a very small proportion of the output of the three countries of the Maghreb. The available figures for Morocco, the leader in this field, are fairly eloquence on this point. Compared with the country's total citrus production of 803,000 tons for the 1967/68 season, the production of citrus juice represents less than 2 per cent for the same period.

1/ This table is based on FAO statistics in "Review of 1975 projections for citrus fruit" (CCP: CI 69/5).

2/ Figures taken from a publication entitled Bilan et Perspectives published by the Office de Commercialisation et d'Exportations of Morocco.

Table 8: Production of orange juice in Morocco (in tons) 1/

	1965	1966	1967	1968
Natural juice	7 940	9 810	11 204	(15 300)
Concentrated juice	360	1 730	1 234	(2 500)
Miscellaneous	180	310	477	...
Total	8 480	11 850	12 915	(17 800)

B. Exports

59. The three North African countries export a very high proportion of their outputs varying between 65 and 75 per cent according to the country.

60. As regards the variety composition of the tonnage exported, oranges account for some 80 per cent.

C. Outlets for African exports

61. As to the geographical distribution of outlets, Western Europe ranks high here, as for exports of citrus from the world as a whole. However, in the case of the African countries, there has been a sharper increase in exports to Eastern Europe during the last five years, which is not the case for exports from the world as a whole.

62. For instance, in 1968, out of a total of 531,000 tons net exported by Morocco, including tangerines, monreals, mandarines, wilkings and oranges, which varieties account for more than 90 per cent of the tonnage despatched, some 528,000 tons went to Europe, including 407,000 2/ to Eastern Europe. Out of these 407,000 tons, a little over 355,000 were absorbed by the EEC, including some 227,000 by France. However, it should be noted that during the last few years there has been a clear break-through in Eastern Europe, where Morocco sold 120,000 tons of oranges in 1968/69.

63. European markets are even more important to Algeria, whose total export tonnage over the same periods (174,000 tons of satsumas, tangerines, monreals, mandarines and oranges) went to Europe. Western Europe took 132,000 tons,

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1/ This table is taken from an UNCTAD study entitled "Prospects for increased exports of manufactures and semi-manufactures from the developing countries" (TD/B/C.2/94).

2/ cf. op. cit. "Les exportations d'agrumes du Bassin Méditerranéen. Situation 1968/69".

of which 131,000 tons went to the EEC. Within the EEC, the French market, which is of vital importance to Algeria, took 107,000 tons. However, during the last few years, there has been an attempt at diversification towards Eastern Europe, which in 1968/69, for example, bought 42,000 tons of oranges from Algeria.

64. This does not appear to be the case with Tunisia, at least for the period in question, since Western Europe took all its export tonnage, namely 34,800 tons, of which over 31,000 were sold on the EEC market to France.

65. Exports of processed citrus fruits still remain, to say the least, fairly modest, not of course in relation to output, for total local consumption in the Maghreb countries is generally less than 10 per cent, but compared with the tonnage of fresh fruit exported, as will be seen from the table below:

Table 9: Average exports 1963/64 - 1966/67 1/
(Thousands of tons)

	Fresh	Processed	Total
Algeria	194	8	202
Morocco	451	30	481

66. Exports of processed citrus fruits from these three countries go mainly to France and the Federal Republic of Germany.

67. To turn from the tonnage exported by the African countries to the value of the exports and their distribution among the principal markets, Table 10 shows the 1967 situation. The lessons to be drawn from this table more or less tally with the remarks already made as regards the export tonnages and their destinations and no further comment seems to be necessary.

D. The importance of citrus exports for African countries

68. To end this summary of the position of the principal African producers in relation to the world citrus market, or at least of some of its most significant aspects, it would seem useful to compare the export earnings from citrus fruits with these countries' total export earnings and also with the value of world exports of the product in question.

1/ See "Review of 1975 projections for citrus fruits". FAO document CCP:CI 69/5.

69. Table 11 demonstrates, inter alia:

1) That during the period in question the value of world citrus exports has made remarkable progress rising from US $550.6 million in 1964 to US $628.5 million in 1967.

2) That during this period, the share of African countries in world exports of the product has declined or at best stagnated.

3) That although the value of export earnings from the product compared with the value of all export earnings has gone down as regards Algeria, it has increased considerably for Morocco and to a lesser degree for Tunisia.

SECTION III. Problems and prospects

70. It is theoretically possible to distinguish at least three categories of problem confronting the three North African countries on the world market.

71. The first are those peculiar to one of the countries and not to the other two.

72. The second are those facing the three countries as well as all or some other citrus producers.

73. Thirdly, there are problems common to the three Maghreb countries and to them alone of all the producing countries.

74. We are mainly interested here in the last two categories. In practice, however, it is not always easy to distinguish one set of problems from the other and to draw a strict line of demarcation between them. Some problems which on first sight may seem to be specifically, exclusively African are revealed, upon closer examination, as being connected with those of other producing countries. Conversely, the problems facing African countries and other producers may be more important or have a different meaning for the African countries.

75. With these remarks in mind, we shall review some of the problems facing the world market and affecting the African countries.

Threat of overproduction

76. The first issue which comes to mind is the actual position of the market - its increasingly evident narrowness in relation to present, potential and especially foreseeable offer.

Table 10: African citrus export outlets (in thousand U.S. dollars) 1967

Imports to / Exports from	Canada	United States	Japan	OECD Europe	EEC					EFTA							Iceland	Ireland	Spain	Greece	Turkey	Yugoslavia
					Belgium	Netherlands	Fed. Rep. Germany	France	Italy	United Kingdom	Norway	Sweden	Denmark	Austria	Switzerland	Portugal						
Morocco	.	140	.	7 595	501	2 843	13 484	45 619	.	6 217	1 266	2 803	540	32	129	.	16	22	53	.	.	.
Algeria	.	.	.	22 201	2	639	1 867	19 574	.	.	4	8	12	11	84	.	.	.	.	.	.	1 278
Tunisia	.	.	.	6 897	3	12	174	6 062	.	.	.	.	.	.	646	.	.	.	.	.	.	419
TOTAL		140		102 693	506	2 494	15 525	71 255		6 217	1 280	2 811	552	43	929		16	22	53			1 697

Table 11: Value of Maghreb citrus exports compared with total Maghreb export earnings and world citrus exports (in thousand U.S. dollars)

Country	1964				1965				1966				1967			
	Value of all the country's export earnings	Value of export earnings from the product	Value of export earnings from the product in % of value A	% of the value of world exports of the product	Value of all the country's export earnings	Value of export earnings from the product	Value of export earnings from the product in % of value A	% of the value of world exports of the product	Value of all the country's export earnings	Value of export earnings from the product	Value of export earnings from the product in % of value A	% of the value of world exports of the product	Value of all the country's export earnings	Value of export earnings from the product	Value of export earnings from the product in % of value A	% of the value of world exports of the product
	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/
Algeria	727.0	39.0	5.4	7.1	637.0	35.7	5.6	6.3	621.0	29.9	4.8	5.0	724.0	23.0	3.2	3.7
Morocco	432.0	61.5	14.2	11.2	430.0	62.1	14.4	11.0	428.0	66.1	15.4	10.9	424.0	68.7	16.2	10.9
Tunisia	127.0	5.0	3.9	0.9	120.0	4.9	4.1	0.9	140.0	5.6	4.0	0.9	149.0	6.3	4.2	1.0
TOTAL		105.5		19.2		101.7		18.2		101.6		16.8		98.0		15.6
WORLD TOTAL		550.6		100.0		563.3		100.0		605.7		100.0		628.5		100.0

1/ D = B divided by the world total

Source : UNCTAD Secretariat.

77. It is true that a certain balance has been maintained during the last few years, for demand has explanded at a barely faster tempo to keep pace with supply. Various factors explain this situation, some of the most important being increased income and changes in the eating habits of consumers in Western Europe, which is the major export market.

78. However, for some time a certain slowing down in the rate of increase of demand has become apparent in several importing countries of the region. It has been noted 1/ for instance, that in Western Europe the quantities imported from the Mediterranean area rose by only 20 per cent in 1959/60 from 1,988,000 tons to 2,402,000 tons. Since that level was already reached and even exceeded in 1963/64 and 1966/67, it may signify that consumption has already become stabilised to a certain degree.

79. Several producing countries, admittedly including some such as the United States, Japan and Italy with a huge domestic market, but others like Morocco, 2/ Algeria and Tunisia, Egypt, of which this is not (or not yet) true, are nevertheless preparing to extend the areas under citrus cultivation to a degree which hardly seems to correspond to the foreseeable rate of expansion of so-called world demand.

80. In fact, FAO projections foresee an excess of 4.5 million tons of production over demand in 1975.

Competition from other exporting countries

81. There will probably be no slackening of the already very lively competition between exporting countries and no improvement in the consequent lack of co-ordination between their work.

82. From the standpoint of the Maghreb countries, this competition makes itself felt chiefly in three ways:

83. Firstly, in the competition engaged in by all exporting countries in trying to conquer markets with increasingly diversified sources of supply and an increasingly limited capacity for expansion. The general effect of this on price levels can only be bad or at least discouraging.

1/ cf. op. cit. "Les exportations d'agrumes du bassin méditerranéan Situation 1968-69".

2/ Morocco, for instance, expects that its production and export of citrus fruits, which in 1967/68 were some 803,000 and 609,000 tons respectively, will go up to 1,100,000 and 800,000 tons respectively in 1973, as indicated in a publication issued by the Office de Commercialisation et d'Exportations entitled "Bilan et Perspectives", dated 31 December 1968. There are some indications that Algeria may be contemplating an increase in its present production, which is some 400,000 tons, to 1,000,000 tons and to double exports by 1978.

84. Secondly, in the competition between all the Mediterranean countries for redistribution of their present shares in European markets. Israel, Spain, Morocco and Tunisia send most of their oranges to the European Economic Community where they supply 95 per cent of the market in winter.

85. This competition is all the harder to sustain from Spain in particular, in that the Maghreb countries have a serious natural geographical handicap to overcome. To despatch their output to Europe they have to pay fairly high access charges which swell their increasingly closely calculated cost prices. These charges include the relatively high freight rates which they have to pay if they want to use ships equipped to transport goods as perishable as citrus fruits, expenditure on the purchase of refrigerating containers, etc.

86. In addition, at peak periods on certain European, especially Eastern European lines, there is very little space available so that some deliveries simply cannot be made when they should be.

Competition between the Maghreb countries

87. Within the framework of this tenacious competition among the Mediterranean countries there is further competition between Maghreb countries themselves in their various markets, particularly in France and Germany.

88. It is difficult to give an exact figure for the cost of this competition to all the countries of the Mediterranean area.

89. It is, however, certain that outlets are periodically blocked because deliveries are not spaced out properly. Exporters are in a hurry to sell off such highly perishable goods which generally have to be produced and exported within a short period, and Mediterranean - particularly Maghreb - deliveries "run into" each other very frequently, with easily-imagined effects on prices. This happens even on the EEC markets, where it is reported that the various rules for citrus marketing are not always applied.

90. Clearly every country has to tie up increasingly large sums in promoting its own varieties, which are generally the same as those of its neighbour, in giving its production a "personal touch" for consumers, and in setting up its own commercial networks abroad.

Adjusting supplies to consumer requirements

91. Another major problem facing the Maghreb countries, and other producers as well, is how to adjust their supply to the requirements of consumers.

92. This problem arises first of all from the fact that the citrus market has changed and is continuing to do so. Some varieties are now more popular in certain markets than others, and these varieties are not always the ones that used to be produced in the largest quantities.

93. Some Maghreb countries have been and are still experiencing great difficulties at entering certain markets because, inter alia, they are not, or not yet, producing the varieties most in demand, or at least not enough to justify the necessary large-scale expenditure on marketing and promotion.

94. Hence the continual effort made in places to diversify and convert production with a view to adjusting it to consumer taste; but this effort is often unconvincing because some countries are still wondering whether current developments will last.

95. The problem also comes up in terms of the need for improved quality of export products and for standardized packaging and presentation to comply with the requirements of distribution chains and consumers, which often prove very costly to producing countries.

96. Finally, the problem arises in operational terms in connection with the manufacture of processed products, notably citrus fruit juice. The Maghreb countries seem to be convinced of the lastingness of the change in tastes of many Western European consumers, notably for the consumption of citrus fruit in juice form (as opposed, or in addition to fresh fruit) and the fact that fruit juice exports are an important adjunct in marketing their production.

97. Difficulties arise, however, in the change-over to manufacturing the product. Apart from difficulties in obtaining supplies of rejects, 1/ Maghreb production units are generally not large enough to face international competition under the best conditions. This is true of Morocco, 2/ where a capacity of 500-600 tons a day is a maximum, whereas in the United States, for example, the average capacity is some 2,000 tons a day. In view of the influence of the scale of production on cost price levels, it is hard to align the price of Moroccan citrus fruit juice with ruling prices in the United States, Brazil and Israel.

Market access

98. This leads us to another problem closely linked with the preceeding one - the problem of tariff and non-tariff barriers impeding export of citrus fruits from the Maghreb countries.

1/ These are fruits which cannot be exported because of their inadequate size or quality. Some of them are used to make fruit juice. In the case of Morocco, however, supply difficulties seem to be in process of being solved.

2/ See UNCTAD document TD/B/C.2/94: "Prospects for increased exports of manufactures and semi-manufactures from the developing countries".

99. Morocco and Tunisia have a "conditional preference" for export of fresh citrus fruits to the European Economic Community, under their agreements with the EEC, which is their chief market.

100. This is a "preferential" regime because products from Morocco and Tunisia pay customs duties in the Community amounting to 20 per cent of the common customs tariff applicable to imports. 1/

101. It is, however, "conditional" because its application is subject 2/ to these countries' complying with a minimum supply price which is always rather higher than the reference price, which is equal to the arithmetic average of production prices of each member State, this average being itself weighted by a sum to cover marketing costs. If their products are offered at less than minimum prices, the two countries are treated as third parties and their imports pay a compensatory tax. The preferential regime does not, however, apply to citrus fruit juice.

102. Algeria is given very special treatment. Although in certain member countries including France it still enjoys the conditions applicable to it as a former French département, in others it is considered as a third party.

103. Importing countries other than those of the EEC generally apply higher rates to products derived from citrus fruits than to fresh fruit. The rates applicable to such derivatives differ according to the quality and type or the degree of fruit juice concentrate.

104. It is well known that in general the more the product is processed, 3/ the higher are the tariffs applicable to it.

105. It should also be noted that the Commonwealth, like the EEC, maintains preferences for the producing countries in the zone.

106. Non-tariff barriers of various kinds are legion. Only Austria, Switzerland, the United Kingdom, Canada, the United States, Japan, Hong Kong, Malaysia and New Zealand do not tax fresh citrus imports domestically.

107. Taxes in France, the Federal Republic of Germany, the Netherlands and Denmark, however, can amount to as much as 10 per cent of the value of the product. This figure is higher in Sweden, Norway, Finland and Belgium. Several of these countries levy higher taxes on fruit juice than on fresh fruit.

1/ See the articles of association between the European community and the two Maghreb States.

2/ See document GATT Spec.(69)122.

3/ cf "Developments in national and international citrus policies" (FAO document CCP: CI/69/3).

SECTION IV. International action on citrus fruits

108. This action takes several forms. Firstly, it should be recalled that citrus fruits are included in the "other commodities" mentioned in Resolution 16(II) of the second session of the United Nations Conference on Trade and Development. In this resolution, the Conference recognised that such commodities "require prompt consideration as a basis for appropriate action and that to this effect inter-governmental consultations might appear necessary, in accordance with the following procedures, in order:

a) to identify the problems faced by the commodity;

b) to determine the techniques appropriate for dealing with them;

c) to agree on appropriate remedial measures."

109. The Conference also invited the special meetings and bodies dealing with commodities to study the commodity concerned on the lines indicated, in close co-operation with the Secretary-General of UNCTAD.

110. It also invited the latter to arrange for inter-governmental consultations, taking into account the views of the commodity group concerned, after consulting interested member Governments. To our knowledge, these inter-governmental consultations have not yet been held.

111. Secondly, it should be noted that there is a Study Group of Citrus Fruit which operates under the auspices of FAO. Its members are countries 1/ representing some 75 per cent of international citrus fruit trade.

112. The Group held its fourth and latest session in May 1969. Having examined the current situation, the short and long-term outlook for international trade in citrus fruits, it reviewed national and international policy developments in producing, importing and exporting countries.

113. The Group also examined the remedial measures that might be adopted internationally to solve the problems of the citrus industry. With respect to the possibility of an international agreement, it considered that there was no need for the moment to contemplate arrangements of a restrictive nature.

1/ The following countries are members of the Study Group: Argentina, Belgium, Cuba, France, Federal Republic of Germany, Greece, Hungary, India, Israel, Italy, Ivory Coast, Japan, Lebanon, Libya, Madagascar, Morocco, Netherlands, Paraguay, Poland, Portugal, Spain, Sweden, Turkey, United Arab Republic, United Kingdom, United States of America, Venezuela.

114. The Group concluded that the best way of dealing with the difficulties and uncertainties of the market was to continue consultations and discussions between producers and consumers, for whom the Group had so far provided an adequate forum.

115. The Group expressed the opinion that in view of the apparent stabilization of consumption in a number of markets, generic promotion of citrus fruits was needed. The Secretariat was requested to prepare information on the promotion activities of other commodity bodies.

116. GATT Working Party on Citrus Fruit also met in 1969 "to examine the request by the European Economic Community for a waiver from the obligations of Article I of the General Agreement in order to reduce the customs duties in respect of certain citrus fruit originating from Israel and Spain". 1/

117. The Group heard a statement by the representatives of the EEC to the effect that the Community had decided to reduce the Common Tariff customs duties on certain citrus fruits from Israel and Spain by 40 per cent. The representatives of the EEC explained that the motive for the Community's decision was its desire for price discipline in its market and to ensure the operation of the conditional preference system set up in favour of Morocco and Tunisia which, like Israel and Spain, are part of the Mediterranean export market.

118. Most of the delegations opposed the request of the EEC and finally following a GATT decision, 2/ EEC apparently had to re-establish the duties payable by these two countries at their former level.

119. The GATT Agriculture Committee is dealing on a permanent basis with the problem of dismantling tariff and non-tariff barriers impeding the expansion of the citrus trade.

120. International action on citrus fruits is being taken by two other bodies of more limited scope, at least as regards membership.

121. Firstly there is CLAM (Comité de Liaison de l'Agriculture Méditerranéenne) whose members are Cyprus, Spain, France, Israel, Italy, Morocco, Tunisia and Turkey.

122. Its task is to keep member countries informed about the position of Mediterranean exports in the various markets. It centralises information

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1/ cf. Report of the Working Party on Citrus Fruit (doc. GATT L/3281).

2/ cf. Financial Times of 25 February 1970.

from each member country 1/ during the season and circulates it as received to all interested countries. This information is periodically collated and issued in analytical form as part of reports comparing export forecasts, achievements and potential.

123. The members of the CAZF (Comité des Agrumes de la Zone Franc) are Morocco, Algeria and Tunisia, and representatives of French traders interested in citrus fruits. It was originally set up to carry out publicity campaigns on the French market but now provides a forum for exchange of information on the tonnage loaded each week, leaving each country free to choose its own marketing policy.

SECTION V. Proposals for concerted action by producing countries

A. Critical examination of international action on citrus fruits

124. Before seeing what concerted action the African countries might be able to take to solve their problems on the international market, it may be useful to review international action in this connection.

125. The basic question here is whether international action is helping these countries to solve the problems analysed above. If it is not doing so, we must ask how, if present conditions persist, it can help them better in future.

126. Roughly, in respect of the problems of the Maghreb countries, positive results of international action on citrus fruits are of two kinds:

127. 1) International action has brought about collective awareness at the widest international level of a number of problems facing the producing countries.

128. It is doubtless to this awareness that we owe the idea behind the section of resolution 16(II) concerning citrus fruits.

129. Moreover, discussions held by FAO the Study Group on Citrus Fruit concerning tariff and non-tariff barrier problems, adjustments to consumer requirements and the narrowness of markets, have had the merit of drawing attention to problems that might otherwise have been overlooked.

130. 2) International action also gives producing countries access to information and studies on short and long-term market developments which they would find it difficult to procure elsewhere.

1/ Information on Algeria is channelled through the Comité des Agrumes de la Zone Franc (CAZF).

131. From this point of view, most of the existing bodies are useful. For instance, the Study Group on Citrus Fruit, by drawing attention to the probable risks of over-production in 1975, has given the Maghreb countries and other producers an idea of the international context in which their plans for expansion will be carried out, and enabled them to act accordingly.

132. Similarly, the Comité des Agrumes de la Zone Franc and the Comité de Liaison des Agrumes Méditerranéens, by providing their member countries with details about weekly or monthly movements of export tonnages and the development of their exports from one year to the next, provide marketing services with background data on the market situation and guide-lines for the formulation of sales policy.

133. But neither collective awareness of some of the problems facing the Maghreb countries, nor the fact of being well informed of long and short-term market developments seem to have led to practical action to solve current difficulties.

134. As regards the international community, a certain passivity is manifest. Co-operation between bodies such as the Comité des Agrumes de la Zone Franc and the Comité de Liaison des Agrumes Maghrebins is limited to an exchange of information. But once this information is in their possession, the member countries are quite free to act as they wish and to lower prices at the most unsuitable moment. The basic problems therefore, still have to be solved.

135. Is there any chance of the situation changing in the near future?

136. Firstly, at the widest international level, the outlook is not particularly encouraging. As mentioned above, the FAO Study Group on Citrus Fruit has set aside for the time being the idea of an international agreement, in spite of the risk of over-production and a sharp decline in market prices to which FAO studies have rightly drawn attention.

137. The only new idea apparently put forward by the Group, which might help to solve the problems of the narrowness of the market and the risk of over-production between now and 1975, would seem to be the possible launching of a generic citrus fruit promotion campaign. It remains to be seen what will become of this idea at the Group's next session in 1971.

138. As regards UNCTAD, no specific steps on citrus problems are apparently contemplated in the near future.

139. As for GATT, there is nothing to show that the periodical discussions on dismantling tariff and non-tariff barriers impeding expansion of the citrus trade are on the point of succeeding.

140. One of the reasons for this is that many developed countries are directly interested in maintaining such barriers, either for fiscal reasons or because they are themselves producers.

141. Moreover, since the Maghreb countries themselves enjoy preferences in one form or another on the EEC markets they cannot but be cautious in the face of such prospects, unless there is a question of doing away with the domestic taxes levied on their products in many countries, including members of the EEC, and eliminating or gradually reducing the high duties on citrus fruit juice imports which prevail almost everywhere.

142. As regards the Comité des Agrumes de la Zone Franc and the Comité de Liaison des Agrumes Méditerranéens, on the basis of the information available there is no reason to believe that they will shortly be making a better contribution to the solution of existing problems.

143. Once it is agreed that the problems involved call for fairly urgent solution, and that nothing much is to be expected from present and foreseeable international action, it might well be asked whether there are any further other possibilities of action.

144. Can the three North African countries, which are facing problems, some of which are common to them all, not agree upon a certain strategy? We shall see below what guide-lines of this strategy might be.

B. Proposals for concerted action

145. 1) Once the need for Maghreb co-operation on citrus fruits is agreed upon, the first thing would probably be to set up a forum where the people in charge of marketing citrus fruit in Morocco, Algeria and Tunisia could meet alone. 1/ This forum might be called "Maghreb Citrus Committee". Its task would be to formulate and put into effect a common Maghreb citrus policy. What might this policy be?

146. To give a worth-while answer to this question, we must recall the commercial facts of Maghreb production and export.

147. One important fact is that, in addition to the Maghreb countries, there are several others competing on the markets of Western Europe, particularly within the EEC. Israel, Spain, Morocco and Tunisia account for 95 per cent of the market during the winter, when these countries, like all the other Mediterranean producers, dispose of most of their output.

1/ There is no body of this kind at present, either because two of the Maghreb countries belong to an organization of which the third is not a member, or because they are members of the same organization but in company with others.

148. On the EEC market, Israel and Spain together account for a little over 50 per cent of consumption requirements, Spain alone accounting for 30 per cent. The share of Morocco and Tunisia therefore, amounts only to some 45 per cent.

149. If we add Algerian exports to those from Morocco and Tunisia, we arrive at a total slightly less than 50 per cent, which is Maghreb countries' percentage of EEC requirements.

150. However, within the EEC market, Algerian and Tunisian exports are concentrated in France. 1/ This narrows the possibility of formulating and implementing an independent Maghreb citrus fruit policy for the EEC market. 2/

151. Another important fact is the interest taken by European consuming countries, particularly those of the EEC, in their citrus imports and in anything that might impede their security of supply, make imports more expensive or prejudice their own producers.

152. It is obvious that, controlling as they do a market of such importance to producers, notably the Maghreb countries, they would be able either to help or hinder considerably any common Maghreb policy, or indeed any common policy with consequences of this kind, adopted by producing countries. A common Maghreb policy would be unable to ignore these two facts for long.

153. Bearing these facts in mind, there are at least two possible strategies:

154. 2) Under the first strategy the three North African countries, aided perhaps by other producing countries, would take steps to convene a special session of the Study Group on Citrus Fruits, under the joint auspices of the Secretary-General of UNCTAD and the Director-General of FAO. As will be seen below, this was the procedure followed for oilseeds and fats and one which was more or less explicitly recommended for citrus fruit in Recommendation 16(II) of the second session of the United Nations Conference on Trade and Development.

155. At this special session an Intergovernmental Advisory Committee on Citrus Fruits might be set up to be responsible for:

a) identifying the specific problems requiring short, medium and long-term solutions;

1/ See the section above on the position of the African countries on the world citrus market.

2/ In 1969 the EEC market took some 70 per cent of all the exports of tangerines, mandarines, monreals and oranges from Morocco, Tunisia and Algeria.

b) formulating recommendations concerning solutions to these problems.

156. This method would have the advantage of requiring collaboration by all parties concerned including importing countries, producers or not, which would undoubtedly facilitate decision-taking and compliance with these decisions by all parties, as has proved the case in several instances of this kind.

157. All possibilities for international arrangements should be examined during these consultations including the idea of an agreement, either traditional or informal, which was rejected at the last meeting of the Study Group on Citrus Fruit.

158. 3) Under the second possible strategy the Maghreb countries would take steps to convene a meeting with the largest possible number of their Mediterranean competitors on Western European markets, particularly with Spain, the most important. It is reported that several attempts at holding such talks have been made by one or other of the Maghreb countries. Apparently Spain has always proved reserved and unenthusiastic, and since it already dominates the market and wishes to sell large quantities, 1/ it has no incentive to reach agreement with other producers.

159. A further attempt at opening discussions with the Spanish authorities, 2/ perhaps with representatives of Spanish exporters, would probably have a better chance of succeeding if it were made officially and jointly by the three countries.

1/ Added to this is the fact that there are 1,200 Spanish exporters and, contrary to the situation in the Maghreb, the Government has very limited control over their marketing operations.

2/ It has been suggested that the discussions that might lead to specific agreements, details of which would naturally have to be studied by the "Maghreb Citrus Committee", should be opened with Spain because it is the Maghreb countries' most important competitor. Clearly, however, the chances of a successful agreement increase in direct ratio to the number of countries represented on the market. Moreover, the possibility of other important exporters wishing to join with the four countries once they realise that the undertaking is serious and in their own interests, should not be excluded.

160. The main objective of these conversations should be to conclude agreements on:

i) fixing a floor price for sales at the beginning of each season;

ii) co-ordinating marketing and sales policies on the various markets so as to avoid the running together of deliveries and dumping price sales by producers;

iii) fixing a target price for 1974-75 when, according to FAO projections, there will be an excess production of 4,500,000 tons;

iv) Planning production expansion on the basis of a growth rate as close as possible to the forecast consumption rate in the chief markets and in accordance with the agreed target price in order to attain, if not perfect balance, which is probably impossible in practical terms, at least a degree of controllable imbalance;

v) launching a generic promotion campaign for citrus fruits, financed partly by the exporting countries and partly by the trade, as has already been done for many commodities;

vi) doing away with or gradually eliminating the domestic taxes that hamper expansion of citrus consumption in several countries, and with particularly high taxes on citrus juice.

161. 4) A variation on the second strategy, which is actually a combination of the first and second, would be for the exporting countries to ensure that the importing countries adopt an attitude of benevolent neutrality if not of outright support, before they conclude the proposed agreements.

162. A thorough discussion concerning the targets proposed and the action contemplated might be held beforehand by the group of exporting countries and a group representing the importing countries, like the one within the EEC, perhaps together with other countries of Western Europe. An agreement, if necessary even more unofficial and informal than those already concluded on hard fibres, might be arrived at to achieve some of the aims set out in the second course of action.

163. 5) If neither of these two strategies were adopted, would the three Maghreb countries be helpless? Is there no possibility of an independent strategy based solely upon their own co-operation?

164. The answer would seem to be that a strategy of this kind is not only possible but probably necessary. The mere fact of deciding in favour of one of the strategies proposed, of the variation or any further strategy, implies that the three countries must formulate an independent course of action, for this would involve their taking measures together and adopting a common front. But there is yet another point.

165. a) Even supposing that one of the proposed strategies is adopted and has the desired effect on, for instance, the narrowness of the market, the threat of over-production, excessive competition among the Mediterranean countries and a fortiori, if none of them is adopted there do seem to be some problems which could be solved by the concerted efforts of the Maghreb countries themselves.

i) Firstly there is the burden of access charges on the Maghreb countries, which is a decisive element in the margin of competition commanded by Spain and other Mediterranean countries in relation to those of North Africa. A rational transport policy for the African countries, including North Africa, is essential so that they can make better use of cargo offers by making bulk deliveries, thus reducing freight rates and using their ports more regularly.

ii) Another problem of direct concern to the Maghreb countries, and one to which they must themselves find an answer, even if a wider international approach is adopted, is the promotion of North African oranges. Since Spanish and Israeli oranges have up till now been given very wide publicity, it may be felt that even if the idea of a generic campaign is included in one of the strategies suggested, a campaign to enable all North African oranges to catch up might be needed for several years.

166. b) Even on the assumption that nothing could be done on as wide an international front as envisaged in any of the proposed strategies, it is obvious that the Maghreb countries could, if they agreed, do a number of things which would help to solve at least some of their present problems:

i) Mention has just been made of the desirability of a promotion campaign for North African oranges. What might be considered as one possibility among others within a wider international approach would here become a necessity. It is not improbable that such a campaign could do more to increase consumption not only of North African production as a whole, but of each country's output, than the very expensive publicity campaigns at present carried out by each country individually.

ii) Each country might also specialise in accordance with its ability to supply the different markets. Some markets are geographically closer to one Maghreb country than to the other two, or traditionally trade more with one than the others. It is not essential for all of them to try to serve the same markets with the large-scale expenditure that this entails.

iii) Sharing the markets might also involve planning producing and selecting varieties that are more profitably grown and exported by one country than another, having regard to soil possibilities and tastes in the markets served by each country.

iv) This means that regular co-ordination of agronomic and scientific research on citrus fruits is necessary for the Maghreb countries. Both brainpower and financial resources, which are too valuable not to be put to the best possible use, could thus be economised. Improved exchange of information and co-ordinated research programmes might lead finally to the establishment of a joint research unit.

v) Agreements might be concluded for joint use of storage facilities at present available to one or other Maghreb country in the major ports.

vi) Instead of taking individual action as they do at present, and occasionally bringing down prices on a market in which another Maghreb country is better placed, each country should agree to spread out its export deliveries.

vii) Thus after a given period decided upon at the start of co-operation, a joint agency for sales, distribution and promotion abroad might be set up. This would solve the problem of outbidding for concessions to which agents are forcing them at present and obviate the need for each country to set up promotion and control offices in all important European towns.

viii) Finally, collective contacts could be made through the Maghreb Citrus Bureau with a view to making enquiries into the possibility of selling citrus fruits to tropical African countries in return for the purchase of other products often imported from non-African sources, such as bananas and dried vegetables as proposed by an official of one of these countries' marketing organisations.

CHAPTER II

COFFEE 1/

SECTION I. World market situation

A. Production

167. Having risen to 68.5 million bags in 1967/68, world coffee production in 1968/69 amounted to 60.6 million bags, a decline of 11.5 per cent from one year to the next, as compared with the general estimate of 65.1 million bags for 1969/70.

168. The drop in 1968/69 is widely ascribed to the 24.9 per cent decrease in the unwashed arabica group, which again was mainly due to the losses registered in Brazil's chief production area as a result of frost in July 1969.

169. During the same period, all coffee groups other than Colombian milds also showed lowered production, but not to the same extent as unwashed arabicas, as indicated in Table 1.

B. Exports

170. The total value of earnings from the export of 53.3 million bags of coffee in 1968 has been estimated at approximately $2,400 million, an increase of $200 million over the level reached in 1967. Table 2 shows how these earnings were distributed among the main varieties of coffee in 1966, 1967 and 1968.

1/ The remarks on the world market situation are mainly based on a memorandum transmitted by the International Coffee Organization to UNCTAD, which is to appear in commodity survey 1969, shortly to be published, and on various reports issued by that organization from time to time especially those relating to the "Market Analysis." Publications of the US Department of Agriculture, Foreign Agricultural Service, have also been used.

Table 1: Coffee production

Coffee years	Average 1960/61 to 1964/65	1967/68	1968/69	1969/70 a/	1967/68 to 1968/69	1968/69 to 1969/70 a/
	(Thousand bags)				%	
World production	65.3	68.5	60.6	65.1	- 11	7
Production of exporting members of which:	63.1	66.2	58.1	62.6	- 12	8
Colombian milds	8.9	9.4	9.6	9.6	2	1
Other milds	12.7	15.0	14.0	14.0	- 7	6
Unwashed arabica	27.4	24.9	18.7	22.1	- 25	18
Robustas	14.1	16.9	15.8	16.0	- 7	1
EXPORTABLE PRODUCTION b/						
World	51.5	51.8	43.1	47.1	- 17	9
Exporting members of which:	50.9	51.2	42.5	46.6	- 17	10
Colombian milds	7.9	8.1	8.2	8.2	- 2	0
Other milds	9.5	11.0	9.8	10.6	- 10	7
Unwashed arabicas	20.0	16.2	9.5	12.7	- 41	34
Robustas	13.5	16.0	15.0	15.1	- 7	1

Source: Report by the International Coffee Organization which quotes United States Department of Agriculture, Foreign Agricultural Service (estimates published in September 1969).

a/ Estimated.

b/ Total harvested production less estimated domestic consumption.

Table 2: Comparison of exports from member countries by main coffee varieties (in millions of dollars)

	1966[a/]	1967[a/]	1968[a/]	Percentage change from 1967 to 1968
Colombian milds	434	398	423	+ 6.3
Other milds	513	488	487	- 0.0
Unwashed arabicas	842	798	863	+ 8.1
Robustas	502	480	592	+23.3

Source: International Coffee Organization, op. cit.

a/ Preliminary figures.

171. As regards the distribution of these exports by country of origin, reference may be made to Table 3.

172. This table is self-explanatory and requires no comment. It shows, inter-alia, that Brazil's share of coffee exports (more than 30 per cent) is still overwhelming and that that country is by far the largest world exporter. It remains to be seen whether in 1969/70 Brazil will continue not only to be the first world exporter, about which there can be no doubt, but to maintain its share of the market intact.

C. Imports

173. Imports increased from 41,731 million bags in 1959 to 55,892 million bags in 1968. Table 4 shows the distribution over that period.

It will be seen that American imports declined from 54.6 per cent of world imports in 1959 to 45.4 per cent in 1968, and that the corresponding rates for Europe during the same years were 36.8 per cent and 45.1 per cent.

Table 3: COFFEE: Exports by country of origin, average 1960-64, annual 1964-68

Country of origin	Average 1960-64	1964 1/	1965 1/	1966 1/	1967 1/	1968 1/
	1,000 bags 3/	1,000 bags 3/	1,000 bags 3/	1,000 bags 3/	1,000 bags 3/	1,000 bags 3/
North America:						
Costa Rica.....	872	851	805	914	1,102	1,133
Dominican Republic..	468	573	409	423	370	392
El Salvador.....	1,637	1,822	1,664	1,617	1,997	1,970
Guatemala.....	1,394	1,268	1,588	1,817	1,355	1,390
Haiti.....	405	378	399	349	311	292
Honduras.....	278	317	415	383	366	437
Mexico.....	1,436	1,681	1,301	1,537	1,241	1,500
Nicaragua.....	369	388	470	387	430	474
Trinidad and Tobago.	43	63	58	40	43	72
Other 4/	119	61	53	46	22	153
Total North America.....	7,021	7,402	7,162	7,513	7,237	7,813
South America:						
Brazil.....	16,925	14,946	13,482	16,832	16,737	18,694
Colombia.....	6,139	6,412	5,635	5,565	6,094	6,588
Ecuador.....	476	419	777	728	954	825
Peru.....	601	704	576	590	693	848
Venezuela.....	373	326	298	303	309	162
Other 5/.....	99	132	115	142	122	384
Total South America.....	24,613	22,939	20,883	24,160	24,909	27,501
Africa:						
Angola.....	2,125	2,312	2,653	2,607	3,275	3,148
Burundi 6/.....7/	243	308	226	246	314	277
Cameroon 8/.....	648	745	715	989	943	1,125
Central African Republic.....	131	208	127	189	152	150
Congo(Kinshasa)...9/	694	624	377	577	594	900
Ethiopia.....	1,019	1,170	1,360	1,224	1,227	1,273
Guinea.....	182	63	180	207	206	205

Table 3 (Cont'd)

Country of origin	Average 1960-64	1964 1/	1965 1/	1966 1/	1967 1/	1968 1/
Ivory Coast	2,762	3,405	3,094	3,024	2,484	3,574
Kenya	571	705	640	908	846	627
Malagasy Republic	728	633	834	761	832	897
Rwanda 6/	7/ 76	138	171	147	187	200
Equatorial Guinea	118	129	114	150	120	120
Tanzania 10/	455	558	473	852	756	821
Togo	162	269	178	220	94	170
Uganda	2,146	2,328	2,630	2,788	2,658	2,533
Other 11/	302	466	193	524	231	287
Total Africa	12,362	14,061	13,965	15,413	14,919	16,307
Asia and Oceania:						
India	402	521	401	403	600	471
Indonesia	1,012	1,006	1,803	1,592	1,100	1,072
Malaysia 12/	717	189	204	562	820	620
Yemer	73	84	65	43	27	30
Other 13/	153	235	251	264	360	369
Total Asia and Oceania	2,357	2,035	2,724	2,864	2,907	2,562
Grand Total	46,353	46,437	44,734	49,950	49,972	54,183

Source: Foreign Agricultural Circular Published by US Department of Agriculture, January 1970.

1/ Revised. 2/ Preliminary. 3/ 132,276 pounds or 60 kilograms. 4/Includes Cuba, Guadeloupe, Hawaii, Jamaica, Panama and Puerto Rico. 5/Includes Bolivia, Guyana, Paraguay and Surinam. 6/ Prior to 1963, included in Congo (Kinshasa). 7/Two-year average, 1963 and 1964. 8/East Cameroon only. 9/Includes Burundi and Rwanda prior to 1963. 10/Prior to 1964-65 year, was shown as Tanganyika, now includes Zanzibar as well. 11/Includes Cape Verde, Comoro Islands, Dahomey, Gabon, Ghana, Liberia, Nigeria, Republic of Congo, Sao Tome and Principe, and Sierra Leone. 12/Data for Malaysia represent estimated re-exports not otherwise shown. 13/Includes New Caledonia, New Hebrides, North-Borneo, Papua and New Guinea and Portuguese Timor.

Table 4: World trade in green coffee (Thousands of 60 kg bags)

Exports from	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Western Hemisphere	31 591	30 639	30 562	31 843	34 560	30 635	28 135	32 009	32 875	35 609
Africa	9 267	10 594	11 387	12 928	12 724	12 129	14 295	15 747	15 196	16 561
Asia and Oceania	1 310	11 153	11 829	1 484	1 622	1 957	2 539	2 572	2 271	2 209
WORLD TOTAL	42 168	42 386	43 778	46 255	48 906	46 721	44 969	50 328	50 342	54 379
Imports into	**1959**	**1960**	**1961**	**1962**	**1963**	**1964**	**1965**	**1966**	**1967**	**1968**
United States	23 270	22 091	22 464	24 549	23 893	22 892	21 347	22 063	21 312	25 378
Canada	1 015	995	1 119	1 230	1 288	1 248	1 258	1 164	1 344	1 394
Other Western Hemispheres	506	607	720	600	595	600	665	833	722	735
Europe	15 513	17 018	17 807	18 653	19 994	21 347	21 604	22 736	23 613	25 223
Africa	1 069	1 146	1 065	1 084	1 213	1 211	853	1 012	928	1 187
Asia and Oceania	558	736	742	889	11 018	1 336	1 486	1 953	1 824	1 975
WORLD TOTAL	41 931	42 593	43 917	46 915	48 001	48 633	47 213	49 761	49 743	55 892

Source: Financial Times, 27 February 1970.

SECTION II. Position of African countries on the world market

A. Production

174. In 1968/69, Africa's export production[1] was 16,940,000 sixty-kilogramme bags (Table 5). Production shows a general upward trend. From 1967/68 to 1968/69 it rose from 34 per cent to 39 per cent.

175. This relative growth seems to be largely due to lowered Brazilian production, which declined from 14,745,000 bags to 8 million bags, owing to the damage from natural causes mentioned above. This view would seem to be borne out by the fact that, according to the estimates made by the US Department of Agriculture, Africa's share - while higher than in 1967/68 which was the year before the Brazilian disaster - should in 1969/70 not exceed 36 per cent, even though Brazilian production is expected to rise from 8 million bags to 10,250,000 bags.

176. In African coffee production, the Ivory Coast has headed the list for a number of years, while other countries have made more or less steady progress from year to year in an attempt to increase their share of total production.

177. Another important point which should be borne in regard to African production as a whole is the predominant share of the countries producing robustas as compared with the share of those producing other varieties (Colombian milds from Kenya and Tanzania; other milds from Burundi and Rwanda; unwashed arabicas from Ethiopia), accounting as it does for more than 90 per cent of Africa's export production.

B. Exports

178. The earnings of Africa as a whole (including the countries still under colonial rule) in 1967 amounted to about $603 million, or some 27 per cent of the value of world coffee exports, as can be seen from Table 6.

179. All the data available show a fairly large increase in Africa's share of world exports. Table 4 above shows that, in terms of volume, that share rose from 23.4 per cent in 1959 to 30.4 per cent in 1968.

C. Outlets for African exports

180. An analysis of the structure of export markets based on the information contained in Table 6 shows that the European OECD countries and the United States of America are the two principal poles of attraction for African coffee, the value of the former's imports being $299,564,000 and that of the latter $247,057,000.

1/ Export production is equal to total harvested production less estimated domestic consumption.

Table 5: GREEN COFFEE. World exportable production for the marketing year 1969-70, with comparisons 1/

Continent and country	Average 1960/61-1964/65	1966-67	1967-68	1968-69	3rd estimate 1969-70
	1 000 bags 2/	1,000 bags 2/	1,000 bags 2/	1,000 bags 2/	1,000 bags 2/
North America:					
Costa Rica	937	1,080	1,210	1,115	1,150
Cuba	70	—	—	—	—
Dominican Republic	461	340	465	365	395
El Salvador	1,702	1,825	2,260	1,755	2,150
Guatemala	1,500	1,450	1,625	1,505	1,560
Haiti	395	290	320	280	315
Honduras	308	250	390	305	365
Mexico	1,521	1,350	1,550	1,400	1,600
Nicaragua	446	420	490	495	530
Other 3/	161	96	102	107	104
Total North America	7,501	7,101	8,412	7,327	8,169
South America:					
Brazil	18,840	12,000	[illegible],745	8,000	10,250
Colombia	6,800	6,350	6,700	6,570	6,530
Ecuador 4/	555	780	975	795	490
Peru	540	675	670	645	740
Venezuela	355	175	130	150	160
Other 5/	62	53	67	90	65
Total South America	27,152	20,033	23,287	16,260	18,235
Africa:					
Angola	2,859	3,240	3,340	3,040	3,240
Burundi	175	235	310	275	245
Cameroon	780	970	1,070	1,070	1,070
Central African Republic	142	135	170	155	145
Congo(Kinshasa)	940	850	950	950	1,050
Ethiopia	1,152	1,385	1,380	1,420	1,375
Guinea	181	105	155	175	160
Ivory Coast	3,135	2,145	4,445	3,350	3,950
Kenya	605	915	630	780	815
Malagasy Republic	825	760	990	785	710
Rwanda	110	150	180	190	135
Sierra Leone	69	55	70	85	80

Table 5 (Cont'd)

Continent and country	Average 1960/61-1964/65	1966-67	1967-68	1968-69	3rd estimate 1969-70
Tanzania.....	484	975	725	935	785
Togo.....	183	90	225	245	170
Uganda.....	2,416	2,435	2,685	3,135	2,735
Other 6/.....	301	345	350	350	348
Total Africa.....	14,357	14,790	17,675	16,940	17,013
Asia and Oceania:					
India.....	462	700	350	560	490
Indonesia.....	1,756	1,490	1,650	1,500	1,500
Philippines.....	---	---	---	---	---
Other 7/.....	225	334	402	413	403
Total Asia and Oceania.....	2,443	2,524	2,402	2,473	2,393
World exportable production.....	51,453	44,448	51,776	43,000	45,810

Source: Foreign Agricultural Circular Published by US Department of Agriculture, January 1970.

1/ Coffee marketing year begins about July in some countries and in others about October. Exportable production represents total harvested production minus estimated domestic consumption. 2/ of 60 kilograms each. 3/ Includes Guadeloupe, Hawaii (USA), Jamaica, Martinique, Panama, Puerto Rico and Trinidad and Tobago. 4/ As indicated in footnote 1, the coffee marketing year begins in some countries as early as July. Ecuador is one of these countrie. Hence, the crop harvested principally during June-October 1967 in that country is shown as production for the 1967-68 marketing year. In Ecuador, however, this is referred to as the 1966-67 crop. 5/ Includes Bolivia, Guyana, Paraguay, and Surinam. 6/ Includes Cape Verde, Comoro Inslands, Congo (Brazzaville), Dahomey, Gabon, Ghana, Liberia, Nigeria, Sao Tome and Principe, and Spanish Guinea. 7/ Includes Malaysia, New Caledonia, New Hebrides, Papua and New Guinea, Portuguese Timor, South Vietnam, and Yemen.

Table No.6: Exports of Coffee from African countries

(Value in Million U.S. dollars)

Country	1964				1965				1966				1967				1968			
	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports
	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/
Angola	204.0	99.5	48.8	4.2	200.0	93.5	46.8	4.2	221.0	106.4	48.1	4.4	238.0	123.4	51.8	5.5				
Burundi	30.8	16.1	52.3	0.7	30.2	10.0	33.1	0.4	19.8	11.5	58.1	0.5	26.6	14.4	54.1	0.6				
Cameroon	140.0	37.7	26.9	1.6	139.0	31.8	22.9	1.4	145.0	44.9	31.0	1.9	158.0	43.9	27.8	2.0				
Central African Republic	29.0	8.0	27.6	0.3	26.0	4.1	15.8	0.2	31.0	7.3	23.5	0.3	29.0	5.8	20.0	0.3				
Congo (Brazzaville)	47.0	0.6	1.3	0.0	47.0	0.3	0.6	0.0	43.0	0.4	0.9	0.0	48.0	0.6	1.3	0.0				
Congo Dem. Rep.	343.0	23.6	6.9	1.0	336.0	14.3	4.3	0.6	461.0	22.7	4.9	1.0	441.0	27.5	6.2	1.2				
Dahomey	13.0	0.6	4.6	0.0	14.0	0.4	2.9	0.0	11.0	0.4	3.6	0.0	15.0	0.6	4.0	0.0				
Equatorial Guinea	..	5.3	.	0.2	..	6.0	..	0.3	..	..	..	..	..	2.1	..	0.1				
Gabon	90.0	0.7	0.8	0.0	96.0	0.4	0.4	0.0	100.0	0.5	0.5	0.0	120.0	0.5	0.4	0.0				
Ghana	293.0	2.3	0.8	0.1	291.0	0.8	0.3	0.0	244.0	3.1	1.3	0.1	273.0	1.4	0.5	0.1				
Guinea	43.0	2.5	5.8	0.1	43.0	6.0	14.0	0.3	58.0	8.3	14.3	0.4	60.0	1.3	2.2	0.1				
Ivory Coast	302.0	128.5	42.5	5.4	277.0	104.9	37.9	4.7	311.0	122.5	39.4	5.1	325.0	103.0	31.7	4.6				
Kenya	150.0	43.2	28.8	1.8	145.0	39.5	27.2	1.8	174.0	52.6	30.2	2.2	166.0	43.9	26.4	2.0				
Liberia	126.0	6.0	4.8	0.3	131.0	1.7	1.3	0.1	146.0	5.8	4.0	0.2	153.0	2.5	1.6	0.1				
Madagascar	92.0	24.6	26.7	1.0	92.0	28.9	31.4	1.3	98.0	30.8	31.4	1.3	104.0	32.9	31.6	1.5				
Malawi	35.0	0.1	0.3	0.0	40.0	0.0	0.0	0.0	49.0	0.1	0.2	0.0	56.0	0.0	0.0	0.0				
Nigeria	601.0	2.3	0.4	0.1	751.0	0.4	0.1	0.0	795.0	4.2	0.5	0.2	677.0	1.0	0.1	0.0				
Rhodesia Southern	374.0	0.1	0.0	0.0	442.0	0.1	0.0	0.0	273.0	..	..	..	264.0	..	..	..				
Rwanda	11.6	6.1	52.6	0.3	14.1	7.4	52.5	0.3	11.7	6.6	56.4	0.3	14.0	8.2	58.6	0.4				
Sao Tome and Principe	6.0	0.1	1.7	0.0	5.0	0.2	4.0	0.0	6.0	0.2	3.3	0.0	8.0	0.2	2.5	0.0				
Sierra Leone	95.0	3.8	4.0	0.2	89.0	1.9	2.1	0.1	83.0	5.5	6.6	0.2	70.0	0.4	0.6	0.0				
Tanganyika	197.0	30.9	15.7	1.3	176.0	24.1	13.7	1.1	235.0	42.4	18.0	1.8	222.0	33.4	15.0	1.5				
Togo	30.0	10.2	34.0	0.4	27.0	5.5	20.4	0.3	36.0	7.9	21.9	0.3	32.0	3.4	10.6	0.1				
Uganda	186.0	99.1	53.3	4.2	179.0	85.2	47.6	3.8	188.0	97.4	51.8	4.1	184.0	96.9	52.7	4.3				
Ethiopia	105.0	63.5	60.5	2.6	116.0	75.2	64.8	3.4	111.0	62.3	56.1	2.6	101.0	55.6	55.0	2.5				
Total		615.4		25.8		542.6		24.3		644.1		26.9		602.9		26.9				
World Total		2387.4		100.0		2231.3		100.0		2393.9		100.0		2239.9		100.0				

1/ D = B divided by world total.

Source: UNCTAD Secretariat.

181. Moreover, it will be noted that African exports are unevenly divided between those two major poles. With a few exceptions, including Tanzania, it can nevertheless be seen that countries which produce robustas place a much larger part of their production on OECD markets than on the American market, and that the reverse applies to countries which produce other varieties.

182. For obvious historical reasons OECD countries, and especially those which, like France, are members of EEC, have always been privileged markets for African exports, particularly for robusta exports which account for the major share. For the past ten years, however, a number of African robusta producers have tried to gain a footing on the American market, and some countries including the Ivory Coast are gradually succeeding.

D. Importance of coffee exports to African countries

183. Coffee exports provide the African countries in question with a large proportion of their export earnings. Out of 25 countries and territories, no less than five draw more than 50 per cent of their export earnings from coffee, and ten draw over 20 per cent. Rwanda heads the list, with 58.6 per cent.

SECTION III. Problems and prospects

184. In the case of a product such as coffee, which for about eight years has been covered by an international agreement 1/ the main purpose of which is "to achieve a reasonable balance between supply and demand", that is to say, to control the market to a certain extent, most of the problems confronting African countries on the world market necessarily arise in the context of that agreement. In other words, the interpenetration of the world market and the Agreement is such that it is hard to speak of one without referring to the other.

The gap between the African countries' production potential and their quotas

185. The basic problem, which at any rate is the most widespread in the countries concerned, is the problem of the increasing gap between the production potential or in some cases even between the export production and the annual quotas allotted. These are established according to the same distribution key as the basic quotas, which have remained virtually unchanged since the 1962 Agreement.

186. On the whole, whether Colombian milds, unwashed arabicas or robustas are concerned, it would appear that to ensure a substantial increase in production, very often it would suffice to intensify fertilizer distribution and to improve cultivation methods.

1/ cf. International Coffee Agreement, 1968.

187. In point of fact since 1968 one of the main purposes of the International Coffee Organization has been to balance production and consumption up to the 1972/73 coffee year, which means that production targets must be fixed for exporting member countries, having regard to the anticipated demand.

188. It should be added that for several years the ICO has conducted a regular campaign to persuade producer countries whose economy is too closely dependent on earnings from coffee exports to diversity their export production. And Diversification Fund is known to have been established "to assist countries in their efforts to adjust production to the required levels and to redirect the resources diverted from coffee to alternative economic activities". 1/

189. Yet assuming that the problem is eventually solved and that basic quotas are increased, thereby enabling African countries to use a larger part of their coffee production potential, they must be in a position to sell supplementary quantities.

Competition from other exporting countries

190. There can be no doubt that the conquest of fresh markets for these supplementary quantities would be detrimental to other producing countries, especially Brazil.

191. As already noted, Africa's share of world exports rose from 23.4 per cent to 30.4 per cent over a period of ten years. But there has always been sharp competition between Brazil and African exporters in particular, as well as between producers of robustas in general (a variety which it will be recalled is cultivated mainly in Africa) and exporters of other varieties, particularly unwashed arabicas which include "Brazil coffee".

192. Under the International Coffee Agreement, the various battles waged by groups of African countries, with a view to ensuring that the principle of selective quotas 2/ was adopted, appear to have pursued no other aim than to enable them to maintain their competitive margin and to increase their share in the market.

193. Yet Brazil, as we know, was not slow to react by launching an extremely aggressive sales policy and by concluding various "special deals" with a number of big importers and distributors, some of them European.

1/ cf. Commodity Survey 1968, TD/B/C.1/50/Rev.1.
2/ cf. below: International action on coffee.

194. This competition has abated somewhat over the past year, owing to market conditions characterized, as already mentioned, by a rise in the price of every type of coffee as a result of the disaster in Brazil.

195. However, despite the International Coffee Organization's efforts to balance production and world consumption, it is not impossible that a low-water period may be reached around 1974, when the new Brazilian plantations start production. This possibility should not be discounted, particularly as just before July 1969 consumption on Annex A markets 1/ showed every sign of stagnation.

Competition among African countries

196. We might add that from this standpoint the situation is not improved by the fact that on occasion African countries themselves resort to competition which, although much less sharp than that conducted by Brazil and other countries in the Western hemisphere, is nonetheless real, particularly between robusta producers.

SECTION IV. International action on coffee

197. As regards the International Coffee Organization, the only recent development which should be mentioned is the meeting held by the International Coffee Council last March.

198. The Council was convened to consider the problems posed by the high rates prevailing for several months. It noted that the indicative prices for the four varieties of coffee had exceeded the ceiling, despite the addition of almost 6 million bags to the quarterly quotas.

199. The exporting countries rejected the importing countries' request for a further increase of the export quotas, which the latter felt might restore the indicative prices to their respective brackets.

200. The meeting ended without reaching any decision, as the two groups of countries were unable to agree on a solution to the problems involved.

201. The Afro-Malagasy Coffee Organization (OAMCAF) and the Inter-African Coffee Organization (IACO) 2/ operate at a much more modest level because, as their name implies, they are composed of African countries alone.

1/ These are the traditional markets, namely markets subject to quotas, as compared with the Annex B markets, which are the "new markets" on which the sales of the exporting countries are not subject to quotas.

2/ For a more detailed account of these two organizations, reference may be made to a study entitled "Co-operation among developing countries with regard to commodity exports" (UNCTAD document TD/B/293).

OAMCAF has the following members: Cameroon, the Central African Republic, Congo (Brazzaville), Dahomey, Gabon, the Ivory Coast, Madagascar and Togo. These countries have specialized in robusta production, but Cameroon produces both robustas and arabicas. OAMCAF's principal objectives are:

1) to harmonize sales policies on the various markets, especially with France which historically has always been the chief market;

2) to adopt common positions in the International Coffee Organization;

3) to defend the common interests of the members based on those positions.

Within the ICO, OAMCAF represents all members countries, and this entitles it to a seat on the Executive Board. OAMCAF also deals with administrative questions relating to individual quotas and the redistribution of shortfalls between member countries insofar as "each member State may still dispose of the whole of the individual international quota attributable to it from the basic individual quota specified in the annex to the international Agreement", but "must place as soon as possible at the disposal of OAMCAF any part of its international quota which it is not in a position to use itself". 1/

Over the past few years, OAMCAF has played a decisive role in the battle waged by robusta-producing countries to make the ICO adopt a selective quota system, which was to bring about the upward or downward adjustment of the quotas of countries exporting the same variety of coffee rather than of all the exporting member countries, according to whether the indicative prices fixed for that variety rose or declined.

In the opinion of OAMCAF member countries, in principle this measure should have favoured robusta consumption. But with the amendments made to this principle and the aggressive promotion policy pursued by some of the competing countries, the anticipated advantages were substantially diminished.

The Inter-African Coffee Organization has seventeen members: Burundi, Cameroon, the Central African Republic, Congo (Brazzaville), the Democratic Republic of the Congo, Dahomey, Ethiopia, Gabon, the Ivory Coast, Kenya, Madagascar, Nigeria, Rwanda, Sierra Leone, Tanzania, Togo and Uganda, i.e. the same member countries as OAMCAF plus Burundi, the Democratic Republic of the Congo, Rwanda, Ethiopia, Kenya, Nigeria, Uganda, Sierra Leone and Tanzania.

1/ of Article 1 of the Supplementary Protocol to the Agreement of 7 December 1960, under which OAMCAF was established.

All types of coffee are represented: robustas by Uganda, the Democratic Republic of the Congo, Nigeria, Sierra Leone and OAMCAF member countries which, with the exception of Cameroon, produce this variety alone; Colombian milds by Kenya and Tanzania; other milds by Burundi and Rwanda, and, lastly, unwashed arabicas by Ethiopia.

The object of the Agreement under which IACO was established is "the common study of problems concerning African coffees; in particular their production, processing and marketing, in order to ensure the smooth disposal of production and the optimum level of selling prices; the consumption of these coffees and the publicity to be undertaken in order to increase the demand". IACO is now endeavouring to co-ordinate and concert the policies adopted by member States with regard to the International Coffee Agreement.

SECTION V. Proposals on concerted action by producing countries

A. Critical examination of international action

As regards the Agreement, in the first place it is not difficult to admit that producing countries, and particularly African producing countries, have greatly benefited from its application.

For a number of reasons, it may be felt that, owing to the machinery provided for under the Agreement, coffee prices have probably been more stable than they would otherwise have been.

This does not mean that the prices were as stable as most African countries might have wished them to be. Nevertheless, however, limited the stability, it enabled them and other producer countries to plan their development on firmer foundations.

As regards the purely financial advantages which Africa has secured under the Agreement, first of all in absolute figures and then by comparison with those of producers in other regions, the subject is still open to discussion 1/

Again looking at things from a favourable or at least "non-adverse" standpoint, it may be concluded that, while Africa's share in world exports has increased from 24 to 30 per cent in ten years, seven of which coincided with the period during which the first Agreement and then the second Agreement were in force, neither has prevented this development.

1/ According to some estimates, all exporting member countries have benefited under the Agreement by a net financial transfer of $500 million.

214. The agreements may in fact have encouraged this development, at least for a time, especially by means of the selective adjustment system, which has frequently led to an increase in authorized exports of robustas at the expense of other varieties, particularly unwashed arabicas.

215. It may be added that African countries, like other producers, have probably benefited from the work carried out by the World Coffee Promotion Committee.

216. It must, however, be admitted that in spite of the ICO and the action it has carried out over a number of years, there are some problems which are continuing to confront African countries with regard to the world market. Some of them fall within the province of the Organization, e.g. the gap between the African production potential and the basic quotas allotted to African countries, or problems for which the Organization is not directly responsible, such as the matter of competition between producing countries, even where competition, at least in some of its forms, is regarded by some as a violation of the spirit, if not the letter, of the Agreement.

217. There is no doubt whatever that the two African organizations have played a useful role. OAMCAF has on the whole rendered member countries appreciable services, particularly in preserving the French market and maintaining some co-ordination between member countries, and in the administration of their interests in the International Coffee Organization.

218. Again, IACO has enabled the principal African coffee-producing countries to meet and discuss problems of mutual interest, and above all to ensure its collective presence in the Organization, which has facilitated access by a number of African countries to senior posts in the various bodies of the International Coffee Organization.

219. Yet both organizations, and IACO in particular, seem to be trying to get their second wind, owing to their diminished capacity for dealing with the problems confronting member countries on the world market and in the International Coffee Organization.

220. Within OAMCAF, the redistribution of the shortfalls which many countries regard as one of the Organization's major attractions seems to be running into ever greater difficulties. Moreover, the fact that OAMCAF exists does not, as some had hoped, prevent member countries from competing against one another.

221. The extent to which IACO, is responding to present needs may be questioned; in other words, the extent to which it controls or could control the problems confronting member countries, in view of tasks and the concept of its operation.

222. The question is therefore what the African countries concerned can do to solve those problems, all the more so as a number of problems are within the competence of the producing countries rather than of the Agreement itself.

B. Proposals for concerted action

223. Concerted action on the following lines seems to be advisable and feasible:

224. i) As regards a problem which perhaps concerns African countries more than any other, the discrepancy between their production potential and even their export production and the quotas they are assigned under the Agreement, the only solution seems to await re-negotiation of the present Agreement.

As negotiations are scheduled to start in 1971, it is suggested that all the necessary arrangements should be made at this juncture, not only for a thorough compilation of information on the subject, but in order that the collective bargaining power of African countries may be used to the best advantage.

This is a task to which the two organizations can usefully apply themselves, provided every aspect of the question is carefully studied, including any possible repercussions of [illegible] on the world market.

225. ii) A possible solution to the problem of increasing sales of African coffees is to launch a full-scale promotion campaign. Some countries, including the Ivory Coast, have realized this and acted accordingly.

It would seem, however, that in the case of African countries lacking financial means to carry out a strictly national campaign, a promotion campaign geared to the varieties produced in Africa (for instance a campaign for African robustas regardless of their origin) and financed by the countries concerned, might be the most economical and perhaps profitable solution for all the countries concerned.

It might be financed by national contributions in the form of a levy on every kilogramme of coffee exported and a contribution by the trade circles interested in these imports.

226. iii) The co-ordination of coffee research and technical co-operation between the African bodies responsible for that research should be intensified, especially between countries which cultivate the same varieties.

Progress has already been made in this direction, both in West and East Africa, but these efforts need to be concerted, and this is a task which could well be undertaken by an organization such as IACO.

227. iv) African countries might also be well advised to consult with other developing exporting countries with a view to adopting a concerted policy with regard to the so-called new markets, or Annex B markets. This policy might pursue the following aims:

a) to agree on the identification of the markets concerned, since many of the so-called new markets have in fact not been new for a long time, or that coffee consumption can progress there without all the exporting countries being obliged to compete against one another with regard to the prices at which coffee should be sold;

b) to endeavour to reach agreement on market prices;

c) to ensure that the tourist coffee control instituted some time back and recently strengthened is enforced 1/;

d) to give careful thought to the desirability of exporting countries jointly financing the establishment on the markets of the infrastructure necessary for coffee processing, promotion and marketing, as suggested a year ago by the President of the Brazilian Coffee Institute.2/

1/ Tourist coffees are those which, while intended in theory for the so-called new markets (hence not subject to quotas), find their way, after all manner of detours, to the markets subject to quotas and where prices are higher, which naturally does not fail to exert pressure on them.

2/ of Financial Times of 14 May 1969.

228. v) It would also appear that the constitution of an inter-group of all exporting countries which, while of a somewhat informal character, would be required to meet periodically, and not only in a crisis 1/, would allow of more thorough and hence more fruitful exchanges on matters of mutual interest connected with the Agreement, and on the development of the world market, than can be dealt within the usual private talks held during meetings of the International Council and the Executive Board. While it is certainly not easy to reconcile these conflicting interests, experience has shown that there may be specific points on which a given group of producing countries may be interested in hearing view points which differ from their own, if only for the purpose of establishing that they are unable to agree.

1/ In May 1969, when the prices for other milds, arabicas and robustas were well below the official minimum, and after exporters, as they themselves admitted, had incurred a loss in foreign currency estimated at 108 million pounds, some of them met at Geneva to decide what steps they should take to improve the situation. Some of the measures proposed by the exporters were rejected by the importing countries, while others were approved and contributed slightly to raising the price level, shortly before the Brazilian disaster occurred.

CHAPTER III

COCOA[1/]

SECTION I: World market position

A. Production

229. World production of cocoa beans amounted to 1,367,000 metric tons in 1967/68, but was only 1,248,000 during the 1968/69 crop year, as Table 1 shows, or only as little as 1,231,000, if the latest published FAO estimates are to be believed. 2/

230. Nevertheless the outlook for the 1969/70 crop year is somewhat different, in the light of the figures already available and a slight surplus is expected (see Table 1).

231. According to certain data, for instance, production in Ghana (the highest in the world) came to roughly 383,000 tons during the main 1969/70 crop alone.

B. Exports

232. The quantities exported were some 1,015,000 tons in 1968, which is actually a decrease of some 66,000 tons in comparison with the 1966 level.

233. In other words, the movement of exports has kept more or less in step with production which, even if it has not diminished, has increased very little in comparison with requirements over the past four years. During this time the tonnage exported by Ghana, the major supplier of the world market, also dropped appreciably, although it still represents nearly one-third of world exports as a whole.

234. Since the 1969/70 campaign, side by side with the increase in production, export tonnage has shown, a distinct tendency to recover. For instance, export sales from Ghana already totalled some 335,000 tons in March 1970, as against approximately 334,000 tons for the whole of 1967.

1/ The statistics given in this paper are derived mainly from various numbers and monthly supplements of the FAO bulletin on cocoa statistics, from the OECD Trade Year book, and from various national documents and data.

2/ Cocoa statistics, monthly supplement, May 1970.

Table 1 : Cocoa beans: Production[1] by country, 5-year averages and annually 1960/61-1969/70

Continent and country	Average 1934/35 1938/39	Average 1946/47 1950/51	Average 1951/52 1955/56	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	Forecast[2] 1969/70
							Thousand metric tons						
N. and CENT. AMERICA													
Costa Rica	3/ 6.5	4.3	7.4	13.4	9.8	11.3	10.3	10.9	7.0	9.6	8.5	8.0	7.0
Cuba	3/ 3.2	3.0	2.7	2.8	2.5	2.3	0.8	2.6	1.9	1.5	1.5	1.5	1.5
Dominica	4/ 0.1	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Dominican Republic	5/ 31.4	30.3	31.9	35.0	33.2	38.0	41.2	25.0	30.5	28.0	29.0	25.0	30.0
Grenada	4/ 3.9	2.5	2.5	2.4	2.5	2.8	2.6	2.8	2.3	2.2	2.1	3.0	15/ 3.5
Guadeloupe	4/ 0.1	0.1	0.2	0.1	0.1	0.1	0.1	–	–	–	–	–	–
Guatemala	3/ 0.4	0.6	0.9	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Haiti	1.5	1.8	1.8	2.1	2.2	2.0	2.4	2.8	3.0	3.3	3.9	3.5	3.5
Honduras	6/ 0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	15/ 0.2
Jamaica	6/ 2.1	2.1	2.2	2.5	2.2	2.0	2.0	2.0	2.3	1.7	1.7	1.9	15/ 2.2
Martinique	3/ 0.2	0.2	0.1	0.1	0.1	0.1	–	–	–	–	–	–	–
Mexico	1.1	7.4	11.6	16.5	27.2	30.0	17.2	20.6	24.0	25.2	26.7	28.2	29.0
Nicaragua	4/ 0.3	0.6	0.4	0.3	0.2	0.5	0.5	0.6	0.5	0.6	0.6	0.7	0.7
Panama	4/ 4.7	2.6	1.6	1.4	1.5	1.0	0.9	1.1	0.7	0.5	0.5	0.4	0.4
St. Lucia	4/ 0.3	0.4	0.5	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.2	15/ 0.2
Trinidad and Tobago	18.3	7.0	8.2	6.2	6.0	6.1	5.0	5.3	5.3	4.2	6.4	4.5	15/ 7.0
Total	62.2	63.2	72.2	84.2	88.7	97.2	84.1	74.8	78.4	77.7	81.8	77.7	85.8
SOUTH AMERICA													
Bolivia	7/ 2.5	2.8	3.0	2.1	2.1	2.0	2.0	2.5	2.5	1.0	1.1	1.1	1.1
Brazil 8/	*124.0	127.8	135.2	122.0	118.0	109.0	121.5	118.5	171.0	173.0	147.0	156.0	158.0
Colombia	10.5	9.9	10.9	14.0	17.0	16.5	16.0	17.5	17.0	17.0	18.0	19.0	19.0
Ecuador 10/	17.6	21.8	29.8	44.1	44.4	45.3	36.0	48.2	36.0	53.0	76.0	65.0	60.0
Peru	2.0	3.7	4.2	2.7	2.5	2.7	2.7	1.8	2.4	2.0	2.0	2.0	2.0
Surinam	6/ ...	–	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.3	0.2	0.3	0.3
Venezuela	6/ 16.5	16.7	20.6	16.9	18.9	20.8	20.9	21.9	22.9	23.1	24.7	24.9	26.0
Total	173.1	182.7	203.8	202.0	203.2	196.6	199.3	210.6	252.0	269.4	269.0	268.3	266.4
ASIA													
Ceylon	3.7	2.3	2.8	2.6	2.4	2.6	2.3	1.9	2.5	2.7	2.2	2.3	2.3
Indonesia	1.6	0.6	1.1	0.9	0.7	0.6	0.7	0.7	1.0	1.0	1.0	1.0	1.0
Malaysia	–	–	–	0.1	0.1	0.4	0.6	0.7	1.1	1.3	1.6	1.9	2.0
Philippines	0.8	0.7	1.4	3.6	3.2	3.4	3.5	4.2	4.0	3.5	4.2	4.2	4.2
Total	6.1	3.6	5.3	7.2	6.4	7.0	7.1	7.5	8.6	8.5	9.0	9.4	9.5
AFRICA													
Angola	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.3	0.4	0.3	0.4	0.4	0.4
Cameroon	6/ 24.8	43.1	54.7	74.0	75.1	76.0	85.0	91.2	78.8	86.5	93.0	103.0	110.0
West Cameroon	11/ –	2.9	4.5	7.6									
Congo, Democratic Rep. of	6/ 1.3	1.6	2.6	5.8	5.8	6.5	5.6	4.8	4.3	5.3	4.9	6.0	6.0
Congo (Brazzaville)	6/ 0.7	1.8	2.7	0.6	0.9	0.6	0.8	1.1	0.8	1.2	1.8	1.3	1.4
Equatorial Guinea	12.3	15.6	18.5	25.3	26.0	30.9	33.0	35.1	35.4	38.7	33.2	38.0	38.0
Gabon	5/ 0.7	1.8	2.7	3.8	2.5	3.2	3.6	4.0	1.7	4.3	4.6	5.4	6.5
Ghana 12/	282.6	241.4	232.3	439.0	416.0	428.4	427.7	580.9	415.7	381.0	423.5	338.7	375.9
Ivory Coast 12/	8/ 47.1	45.2	59.9	95.6	81.0	103.0	98.2	147.5	113.3	150.0	146.6	144.5	160.0
Liberia	...	0.5	0.6	1.0	0.7	1.0	0.9	1.2	1.1	1.8	1.9	1.7	2.0
Madagascar and Comoro Islands	0.3	0.3	0.4	0.5	0.6	0.5	0.4	0.4	0.5	0.4	0.5	0.5	0.6
Nigeria	13/ 99.9	99.6	100.7	182.2	193.9	178.8	219.6	298.3	184.6	267.2	235.0	186.3	203.0
Sao Tomé and Principe	6/ 8.9	8.0	7.9	9.4	9.1	9.6	7.8	10.7	8.9	10.9	10.7	11.0	11.5
Sierra Leone	5/ 0.3	1.3	1.7	3.7	3.9	3.4	3.4	3.7	3.8	4.0	4.1	5.0	5.5
Tanzania	–	–	–	–	–	–	–	–	0.1	0.1	0.2	0.2	0.2
Togo 14/	6/ 8.6	3.5	5.3	12.7	11.5	11.4	13.9	17.5	14.3	16.3	18.0	18.8	17.0
Total	488.1	465.1	492.1	868.5	827.4	853.7	900.2	1,196.7	863.7	968.0	978.4	860.8	938.0
OCEANIA													
New Guinea and Papua	8/ 0.1	0.2	0.8	7.6	10.7	14.2	17.0	21.0	18.0	21.0	23.7	26.5	29.0
New Hebrides	6/ 1.7	1.0	0.8	0.7	0.7	0.8	0.4	0.6	0.6	0.6	0.8	0.9	0.9
Western Samoa	8/ 1.1	2.6	3.2	3.7	4.3	3.4	5.1	3.4	2.3	3.9	4.0	4.2	2.7
Total	2.9	3.8	4.8	12.0	15.7	18.4	22.5	25.0	20.9	25.5	28.5	31 6	32.6
WORLD TOTAL	732	718	778	1,174	1,141	1,173	1,213	1,515	1,224	1,349	1,367	1,248	1,332

1/ To allow for shrinkage during the movement of supplies from producing to consuming countries a deduction of 1% should be made. – 2/ Estimates issued by the Committee on Statistics of the Study Group on Cocoa on 27 October 1969. – 3/ Four-year average. – 4/ Exports, 1935-39 average. – 5/ 1936-38. – 6/ Exports. – 7/ 1934. – 8/ Figures refer to standard cocoa year, October-September. – 9/ 1935-37. – 10/ Including unreported exports to neighbouring countries estimated by the Government at 6,200 tons in 1961 and 7,200 tons in 1962 and unofficially at 3,000 tons in 1963, 3,100 tons in 1964, and 3,000 tons in 1965. – 11/ Included with Nigeria. – 12/ Figures refer to production, after making allowance for movement between neighbouring territories. – 13/ Includes West Cameroon. – 14/ Figures refer to production. It is estimated that in 1954/55 some 10,000 tons of cocoa moved into the territory from across the border and 1,000 tons in 1955/56; in 1956/57, on the other hand, some cocoa from Togo is known to have moved into Ghana. – 15/ Official estimates.

C. Imports

235. World imports in 1968 amounted to 1,077,300 tons, divided among the three major consumer areas. Western Europe accounted for 540,540 tons, Eastern Europe 193,240 and the United States 231,860. The innovation of the past decade, is the growing quantity imported by the Eastern European countries, which increased almost three-fold between 1961 and 1968.

236. During this period, however, American imports fell considerably even in absolute figures from an estimated 347,784 metric tons in 1961 to 281,860 tons in 1968.

237. Western European imports nevertheless showed a slight increase, from 518,000 tons in 1961 to 540,540 in 1968.

SECTION II. Position of the African countries on the world cocoa market

A. Production

238. African cocoa bean production in 1968 represented some 70 per cent of world production in terms of tonnage.

239. Ghanaian output during that period represented approximately 28 per cent of world production and 40 per cent of African production. The rest of the African output was shared among several countries, the most important being Nigeria, Ivory Coast, Cameroon, Equatorial Guinea and Togo (Table 1).

B. Exports

240. In 1968, African exports in terms of tonnage represented no less than 77 per cent of world exports. Ghana alone provided more than 30 per cent of world supplies. Some 40 per cent of African exports came from Ghana, and the above-mentioned countries supplied most of the rest.

C. Outlets for African exports

241. During the last ten years, African exports to Eastern Europe, particularly the USSR, have made remarkable progress, all the more since they started off at a very low level.

242. However, in 1968 they still represented only some 17 per cent of the African countries' export tonnage, their main source being Ghana, Nigeria and Equatorial Guinea.

243. On the whole, African exports are mainly concentrated in the OECD countries.

244. Table 2, which deals only with cocoa imports into the OECD countries from Africa, in fact covers some 80 per cent of net African exports in terms of value. Out of this, the share of the European OECD countries ($33,105,400) is predominant, and in 1968 was not far from twice the combined share of the three non-European members (Japan, United States and Canada). 1/

D. Importance of cocoa exports to the African countries

245. As Table 3 shows, cocoa exports play a vital part in the economy of several African countries and territories, if only from the viewpoint of the size of export earnings they provide in relation to the overall value of export earnings.

246. Firstly, they play a major part in the economy of Ghana, which is the largest African and world producer. In 1967 more than 61 per cent of Ghana's earnings came from sales of cocoa abroad. They are, however, also important to other countries and territories, including Sao-Tomé and Principe and Togo, whose cocoa exports represented a very small part of the world supply. Nigeria is apparently the only country whose cocoa sales occupy a more important position in overall world exports than in relation to its overall export earnings (25.7 per cent and 22.6 per cent respectively).

247. However, in relation to their overall export earnings, the value of cocoa earnings varies appreciably from year to year, reflecting the price fluctuations recorded during the period covered by the table, as well as quantitative yearly variations in crops.

SECTION III. Problems and prospects

248. At first glance it might seem that, apart from the lack of export availabilities, the producer countries, especially in Africa, have encountered no serious problems on the world market during the past four years. Actually these have been lean years in which the yield failed to keep pace with

1/ It should, however, be noted that some of the cocoa beans imported by these countries were later exported again, these re-exports representing 0.1 per cent of world cocoa exports in 1967. Not to mention, of course, the cocoa re-exported after various processing operations (chocolate, etc.)

Table 2: - Outlets for African cocoa exports

(Thousand U.S. dollars)

Imports to / Exports from	Canada	United States	Japan	OECD Europe	EEC					EFTA												
					Belgium	Nether-lands.	Germany	France	Italy	U.K.	Norway	Sweden	Denmark	Austria	Switzer-land	Portugal	Iceland	Ireland	Spain	Greece	Turkey	Yugoslavia
Tunisia	-	-	-	51	-	-	-	-	51	-	-	-	-	-	-	-	-	-	-	-	-	-
UAR	-	-	-	175	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175	-
AOC 1/	-	-	-	1653	-	1546	-	19	-	-	-	-	-	88	-	-	-	-	-	-	-	-
Sierra Leone	-	100	-	2371	-	1956	129	-	-	286	-	-	-	-	-	-	-	-	-	-	-	-
Liberia	-	-	-	1021	-	973	48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ivory Coast	-	15391	2131	74975	2854	14354	21239	28288	7062	868	-	7	-	-	234	-	-	69	-	-	-	-
Ghana	9323	48142	21708	99871	942	15408	20301	1555	4451	31625	2511	3632	1697	5951	5900	-	-	3819	-	2057	22	3479
Togo	-	-	-	10509	996	1211	4462	3536	304	-	-	-	-	-	-	-	-	-	-	-	-	-
Nigeria	5376	19128	3657	74157	28	18284	16141	419	9008	20167	104	864	569	2535	2026	-	5	2650	-	1357	-	400
Cameroon	-	1071	394	52735	893	26899	12046	11808	695	370	-	7	-	-	17	-	-	-	-	-	-	101
Equatorial Customs Union 2/	-	-	-	3480	-	2330	54	1096	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Democratic Republic of The Congo	-	-	-	3342	1498	755	875	32	182	-	-	-	-	-	-	-	-	-	-	-	-	-
Angola	-	-	-	6013	31	2540	962	176	93	-	-	1	-	243	227	1566	-	-	17	157	-	-
Ethiopia	-	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kenya	-	-	-	56	-	-	-	-	52	4	-	-	-	-	-	-	-	-	-	-	-	-
Tanzania	-	-	-	120	-	13	95	-	-	12	-	-	-	-	-	-	-	-	-	-	-	-
Madagascar	-	7	-	459	-	-	-	438	-	-	-	-	-	13	8	-	-	-	-	-	-	-
Réunion	-	-	-	66	23	-	-	11	32	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	14699	83868	27890	331054	7265	86269	76352	47378	21930	53332	2615	4511	2266	8830	8412	1566	5	6538	17	3571	197	3980

1/ Spanish African overseas territories: Ifin, Sahara and Equatorial Guinea.

2/ Equatorial Customs Union.

Source : UNCTAD Secretariat.

Table 3 - Exports of cocoa from African countries (Value in Million US Dollars).

Country	1964				1965				1966				1967				1968			
	Total exports	Exports of the commodity	% of total exports	% of world exports	Total exports	Exports of the commodity	% of total exports	% of world exports	Total exports	Exports of the commodity	% of total exports	% of world exports	Total exports	Exports of the commodity	% of total exports	% of world exports	Total exports	Exports of the commodity	% of total exports	% of world exports
	A	B	C=B/A	D 1/	A	B	C=B/A	D 1/	A	B	C=B/A	D 1/	A	B	C=B/A	D 1/	A	B	C=B/A	D 1/
Angola	204.0	0.1	0.0	0.0	200.0	0.1	0.5	0.0	221.0	0.3	0.1	0.1	238.0	0.2	0.1	0.0				
Cameroon	140.0	27.9	19.9	5.3	139.0	29.6	21.3	5.9	145.0	31.2	21.5	6.8	158.0	40.8	25.8	6.8				
Congo (Brazzaville)	47.0	0.5	1.1	0.1	47.0	0.3	0.6	0.1	43.0	0.5	1.2	0.1	48.0	0.5	1.0	0.1				
Congo (Dem. Rep.)	343.0	2.1	0.6	0.4	336.0	1.6	0.5	0.3	461.0	0.9	0.2	0.2	441.0	2.5	0.6	0.4				
Equatorial Guinea	..	16.8	..	3.2	..	13.4	..	2.7	..	18.2	..	4.0	..	15.8	..	2.6				
Gabon	90.0	1.2	1.3	0.2	96.0	1.0	1.0	0.2	100.0	1.3	1.3	0.3	120.0	1.5	1.3	0.3				
Ghana	293.0	190.7	65.1	36.5	291.0	191.1	65.7	38.1	244.0	144.3	59.1	31.6	278.0	170.4	61.3	28.6				
Ivory Coast	302.0	58.9	19.5	11.3	277.0	44.2	16.0	8.8	311.0	53.2	17.1	11.6	325.0	56.2	17.3	9.4				
Liberia	126.0	0.6	0.5	0.1	131.0	0.2	0.2	0.0	146.0	0.5	0.3	0.1	153.0	0.6	0.4	0.1				
Madagascar	92.0	0.2	0.2	0.0	92.0	0.1	0.1	0.0	98.0	0.4	0.4	0.1	104.0	0.3	0.3	0.1				
Nigeria	601.0	112.3	18.7	21.5	751.0	119.5	15.9	23.8	795.0	79.1	9.9	17.3	677.0	153.1	22.6	25.7				
Sao Tome and Principe	6.0	3.9	65.0	0.8	5.0	2.9	58.0	0.6	6.0	4.4	73.3	1.0	8.0	6.1	76.3	1.0				
Sierra Leone	95.0	1.6	1.7	0.3	89.0	1.3	1.5	0.3	83.0	2.0	2.4	0.4	70.0	2.0	2.9	0.3				
Tanganyika	197.0	0.0	0.0	0.0	176.0	0.0	0.0	0.0	235.0	0.1	0.0	0.0	222.0	0.1	0.0	0.0				
Togo	30.0	6.6	22.0	1.3	27.0	6.8	25.2	1.4	36.0	6.8	18.9	1.5	32.0	9.5	29.7	1.6				
TOTAL		423.4		81.0		412.1		82.2		343.2		75.1		459.6		77.0				
WORLD TOTAL		522.5		100.0		501.6		100.0		457.0		100.0		596.5		100.0				

1/ D = B divided by World Total.

Source : UNCTAD Secretariat.

consumption, with the result that since 1966 the mean prices (in US cents per pound of cocoa) have been steadily increasing, as may be seen from the following figures: 1/

1966	1967	1968	1969
25	29	35	45

Outlook for prices

249. This first impression, however, should be corrected. On the one hand, various sources indicate that the year 1970 will show a distinct increase in availabilities as compared with previous years, and the 1969/70 campaign is now expected to end in a slight production surplus, which cannot fail to influence price levels.

250. On the other hand, in the middle term (that is to say, around 1975) the comparatively favourable prices obtained by the producers since 1966 may well begin to have a certain impact on production.

251. True, FAO projections show that by that since world production and consumption (i.e., crushed cocoa) will balance approximately. 2/

252. If things remain unchanged, however, demand will adjust to availabilities only on the basis of 1961-63 prices, that is to say, at a higher level than in 1965, for instance, but considerably lower than that obtaining during the last four years and more.

Difficulties in attaining an "optimum" consumption increase

253. Whether production is inadequate or whether it is excessive, there is one permanent problem for the producer countries: how to increase consumption on optimum basis and particularly on the basis of a price which is sufficiently remunerative to producer countries and allows what is considered a satisfactory increase in the quantities sold from year to year. In times of over-production, the increase usually tends to be on the basis of inadequately remunerative prices for producer countries, whereas when there is a series of insufficient crops and relatively high prices, the consumption of cocoa and its by-products (cocoa-butter in particularly) tends to slow down. In that case, many purchasers are prompted to make wider use of cocoa substitutes and non-cocoa ingredients, as has been the case quite recently.

1/ Figures taken from a Commission of the European Communities publication on products and trade in developing countries, (February 1970).

2/ These projections show that world production should reach 1,760,000 tons and grindings some 1,770,000 tons. cf. Agricultural Commodities. Projections for 1975 and 1985, Vol. I. FAO.

Obstacles to the expansion of the cocoa trade

254. It may be added that the problem is all the more serious because in normal times, apart from special circumstances, many countries put the brakes on consumption not by raising tariff barriers (at least where cocoa beans are concerned) but by imposing domestic taxes which have repercussions out of all proportion in the case of cocoa products.

255. Next, and instability of cocoa prices, most important of all, cocoa prices have always been extremely unstable. This is due in the first place to short-term fluctuations in the cocoa supply and demand and then to successive and often contradictory estimates of the current crop on the part of operators, combined with various speculative operations.

256. As a result, although the general market trend in recent years has been upward, there have nevertheless been marked fluctuations. In February 1968, for instance, the New York spot 'Ghana' price was 29.8 US cents per pound, and by fall in. December that year it had risen to 48.7 cents. 1/

Competition between exporter countries

257. This lack of stability in prices develops all the more readily since the exporter countries are in open competition and trade their production in ignorance of one another's activities. Most of them indeed, are ill-informed as to one another's sales policies and especially as regards the prices governing transactions and the quantities placed at any given time.

SECTION IV. International action on cocoa

258. This takes two main forms:

A. To begin with, discussions have been going on for almost thirteen years between producer and consumer countries with a view to concluding an international cocoa agreement. With that end in view, many attempts have been made since 1966 in particular, in connexion with the United Nations Conference on Cocoa. There have also been several consultative meetings presided over by the UNCTAD Secretary General and attended by fewer representatives.

259. Apparently there has been some measure of rapprochement on certain items in the draft agreement, mainly the financing of a buffer-stock the way it could operate on the market, and also the establishment of a system of sales quotas.

1/ See "cocoa statistics" January 1970.

260. It must nevertheless be recognized that there are still many obstacles along the path that must finally lead to the agreement. To help overcome these obstacles the Secretary-General of UNCTAD decided to hold further consultations in June 1970. If the governments of the countries concerned with the cocoa trade reach agreement during these consultations, the United Nations Cocoa Conference will probably be able to resume its work.

B. Cocoa-producers Alliance

261. Set up in 1962, the Cocoa-producers Alliance, is composed of Ghana, Nigeria, Brazil, the Ivory Coast, Cameroon and Togo.

262. Under its Charter, the purpose of the Alliance is to enable its member countries:

- to exchange of technical and scientific information;
- to discuss problems of mutual interest and to advance social and economic relations between producers;
- to ensure adequate supplies to the market at reasonable prices;
- to promote the expansion of cocoa consumption.

263. In recent years, after the failure of the attempt on the part of member countries to stabilize cocoa prices in 1964/65, 1/ the Alliance has been focussing its efforts on the conclusion of an international cocoa agreement. It is providing the member countries with an opportunity to co-ordinate their position on the main provisions (price range, the buffer stock etc. in order to increase their bargaining power with a view to the negotiation of an international cocoa agreement.

264. As to the market circumstances for products, the directors of the sales services in the various countries met at Lomé in March 1970 and reiterated their determination to implement a genuinely co-operative strategy for the exchange of weekly purchase figures among producers, following a decision of the previous conference held at Bahia (Brazil).

265. Furthermore, they decided that as well as meeting regularly twice a year they would hold consultative meetings whenever the price of cocoa fell below a given level (which has not been indicated) in order to decide what corrective measures should be taken.

1/ See UNCTAD document TD/B/293: Co-operation among developing countries with regard to commodity exports, in which the experiment is analyzed in detail.

SECTION V. Proposals for concerted action by producing countries

A. Critical study of international action

266. On the widest international scale, efforts have been made over the past thirteen years and are still taking place almost daily in co-operation with the UNCTAD secretariat with a view to concluding an agreement between all the countries concerned in the cocoa trade: producers, exporters, importers and re-exporters.

267. And, since the failure of the price operation described above, the conclusion of such an agreement has been the major objective of the Cocoa Producers' Alliance.

268. In the past, each time the market conditions were relatively satisfactory from their own standpoint, many of the producer countries were quick to point out that the lack of an agreement was not a major inconvenience for them at that particular moment.

269. Nowadays, however, they have learnt from experience and, realizing that the situation might have subsequent drawbacks if the consumer countries likewise hesitated to come to an agreement, (as has also happened before) the producer countries have obviously been anxious during the past four years to find a basis for agreement.

270. The fact is that at the time of writing, despite the progress made towards reaching a consensus of all the parties concerned, it would be somewhat rash to predict the imminent conclusion of an international cocoa agreement.

271. Such being the case, two questions at least would seem to arise. The first is: Has everything possible been done to reach agreement? The second: Could not the producer countries find some strategy other than the one they have so far followed in trying to solve their problems?

272. So far as the first question is concerned, it is common knowledge that there have always been divergent views among the importing countries as to what form the agreement should take, and even its advisability has been questioned at times. It is a fact, too, that some of these countries are (or think themselves) obliged to weigh certain influences, not the least of which is the pressure that might be brought to bear by certain trade groups.

273. The producer countries have apparently experienced great difficulty in maintaining their cohesion throughout the negotiations, notwithstanding repeated efforts to do so. It is common knowledge that the producing countries are finding it hard to achieve unanimity on various important points, such as price and quota mechanisms.

274. Nevertheless their bargaining power and their ability to convince others of the need for such an agreement can hardly be denied.

B. Proposals for concerted action

275. At the present stage, however, there is not much point in criticizing the former international approach. The crucial problem now is: What strategy can the African countries use to face the present position?

276. The efforts deployed for sometime past to reach agreement on the lines indicated - that is to say, an agreement between all the countries concerned in the cocoa trade, or at least the major countries, whether importers or exporters - will either be successful or they will fail.

277. Whatever happens during the next few months, the issues in defining the strategy of producer countries in confronting the problems of the world market will be quite different.

278. In the first hypothesis, when the international agreement comes into force, the main thing for the African countries will be to organize co-operation among themselves within the framework of the agreement, so that it may operate in their best interests. The Cocoa Producers' Alliance will have a very important part to play in this context. It might even have to extend the scope of its activities, since co-operation among the producer countries might have other objectives than that of supervizing the smooth working of the agreement. In that case, we would propose the following:

279. i. The Cocoa Producers' Alliance should be permanently represented on the future International Cocoa Council proposed in the draft agreement by, a delegation consisting of a representative of one of the member countries, appointed in rotation and assisted by members of the Alliance secretariat.

280. This delegation's task would be to:

a) supervize the operation of the agreement, while acting as a permanent centre for informing member countries of any developments that might interest them at any time;

b) provide a framework for harmonizing the activities of member countries on issues concerning the operation of the agreement;

c) ensure collective representation of member countries on all the international groups, and be their official spokesman on issues concerning member countries as a whole, without prejudice to the right of individual representation.

281. ii. The Alliance should also be fully responsible for co-ordinating technical and scientific research on cocoa carried out by member countries. It has not yet been possible to do anything tangible in this field, despite the endeavours of the Alliance secretariat. The Sub-Committee on Scientific Research and Extension Services, set up by the Alliance, has not yet been able to start work.

282. Similarly, the International Cocoa Research Conference, which groups research workers from countries concerned in any aspect of the cocoa trade, has existed for several years past but operates on a precarious footing and has no direct link with the Alliance. The aim should be to combine under the auspices of the Alliance the somewhat haphazard activities of the national research institutes and isolated groups, to increase their efficacy and make more information available concerning the results obtained.

283. iii. It might also play an active part in studying problems and particularly in co-ordinating individual attempts on the part of member countries to reach a standard definition of the criteria of quality and quality-control of products. These may seem common place issues, but they are extremely important in ensuring high-quality production for export. According to available information, these matters are already being studied by the Alliance and its secretariat. It would seem, however, that the necessary solutions are not yet forthcoming.

284. iv. The Alliance should also promote cocoa consumption in the member countries themselves, since most of them are low on the list when it comes to per capita cocoa consumption. Again, it should urge the International Cocoa Council to launch a campaign for the generic promotion of cocoa, along the lines of the World Coffee Promotion Campaign.

285. There seems to be nothing in the present draft agreement to prevent the Alliance countries from co-ordinating their foreign marketing policies and establishing a common scale for deliveries to the world market, to maintain the product price at a given level within the price range specified in the draft.

286. Member countries of the Alliance might agree on a model contract form for all their cocoa sales abroad. This could be an important step towards standardizing commercial practice with regard to cocoa in general, and this too is very important if foreign trade policies are really to be aligned.

287. It would perhaps be advisable for the Alliance to try to recruit new members, with a view to wider representation and increased bargaining power. Appropriate contacts could be made with countries like Equatorial Guinea, Mexico and the Dominican Republic.

288. If the international agreement fails to materialize in the next few months - say, before the end of the year - the producer countries might wish to study other strategies than that which has been followed so far: that is to say, an international agreement of the standard type, to which all countries concerned with cocoa could belong, or at any rate the major cocoa countries.

289. Three main possibilities might then be studied by the countries concerned:

a) The first would imply that agreement could not be reached because of opposition on the part of a major importing country, notwithstanding the goodwill of the other importing countries. It would then be up to the producing countries and the other importing countries to explore together the possibilities of concluding the agreement without the major importing country which opposed it. Experience tends to show that an agreement concluded on similar lines (the agreement on sugar) can, despite its shortcomings, have a decided impact on the market, even if a major importing region has not subscribed to it officially.

b) A second possible strategy would be for the producing countries to propose informal arrangements along the lines of those in force for hard fibres, if several major importing countries feel unable to break with another country, or if for domestic reasons they cannot themselves subscribe to a formal agreement. Several importing countries, wishing to placate domestic trade circles, might find it more convenient to give tacit support to arrangements of this kind rather than subscribe to an official agreement along the usual lines.

c) The third possibility would be for the producer countries themselves to try to operate a stabilization agreement based on floor and ceiling prices and a system of sales quotas. Before doing so, however, they would have to learn thoroughly all the lessons to be derived from the failure of the scheme launched six years ago.

290. The Alliance countries, accounting for approximately 80 per cent of world cocoa exports, have excellent take-off possibilities.

291. Yet the 1963/64 experiment has abundantly proved that the importance of participating countries as a whole in relation to the world cocoa trade is only one condition of success in an operation of this kind.

292. The will to succeed, mutual trust among member countries, careful technical and even political preparation based on a study of the probable reperoussions on various plans and, above all, the possible cost for the producer countries, and the establishment of a fund to finance stocks withheld from the market and even sales centralization, are so many other conditions (and the list is not exhaustive) which would have to be met before an operation of this kind could be attempted with any real chance of success.

293. It is abundantly clear that in view of the current outlook, objectives 2, 3, 4 and 6 outlined in connexion with the first possibility might likewise be considered by the Cocoa Producers' Alliance.

CHAPTER IV

GROUNDNUTS[1/]

SECTION I. Position of the world market

A. Production

294. Groundnuts by-products and groundnut oil are part of the group of commodities generally known as "oilseeds and fat".

295. According to some estimates, unshelled groundnut production will probably be approximately 16,000,000 tons during the period 1969-79, and, as Table 1 shows, was 15,000,000 tons in 1968-69 and 16,302,000 tons in 1967-68.

296. However, for some four years now, groundnut crops have fallen short of needs. Production of groundnut oil, like that of other soft oils, has increased only moderately in absolute figures, and in any case less than that of soybean oil, its major competitor (Table 2).

297. India, Mainland China and the United States of America are the three largest groundnut producers; together their production represents over 50 per cent of world production.

B. Exports

298. Net exports of groundnuts and groundnut oil were respectively 1,366,000 and 402,000 tons, or 615,000 and 402,000 in oil equivalent.

299. As will be seen from Table 3, Nigeria and Senegal were the largest exporters in 1968.

C. Imports

300. Western Europe is the largest market for groundnut exports. It is estimated to import approximately three-quarters of world groundnut exports.

1/ The statistics quoted in this study are mainly from FAO publications, the Tropical Products Quarterly, reports by the UNCTAD/GATT International Trade Centre and national sources.

Table 1: World Production of Groundnuts (thousand tons)

	1967-68	1968-69	1969-70
Groundnuts, unshelled			
Gambia a/	118	124	(120)
India	5,640	4,405	(5,250)
Malawi a/	32	52	
Nigeria a/	977	1,090	(930)
Uganda b/	160	160	
Other Commonwealth countries	278	(290)	
Argentina	278	214	
Brazil	758	(700)	(850)
Burma	365	331	
China b/	2,825	2,575	2,800
Congo (Kinshasa) b/	110	110	
Indonesia	400	(430)	
Japan	133	125	
Mali a/	30	26	
Niger	293	265	(240)
Senegal a/	821	613	(750)
South Africa	230	367	
Sudan	295	194	(240)
United States	1,104	1,135	1,140
Others	1,455		
Total	16,302	(15,000)	(16,000)

Source: Tropical Products Quarterly, March 1970.

a/ Commercial crop only.

b/ Estimated.

Table 2: Estimated World Production of Fats and Oils by Type

	All countries Year 1969	Countries available for 1970 with comparison		
		1969	1970	Changes 1969-70
	(.....	thousand metric tons		.....)
Butter (fat content)	4,885	410	390	- 20
Lard	4,750	860	780	- 80
Soft Oils				
Soybean Oil	5,439	5,389	5,932	+ 543
Sunflowerseed Oil	3,063	2,866	2,882	+ 16
Groundnut Oil	2,732	2,118	2,400	+ 282
Cottonseed Oil	2,287	1,339	1,319	- 20
Olive Oil a/	1,554	1,554	1,330	- 224
Rapeseed Oil	1,691	1,089	1,090	+ 1
Sesameseed Oil	564	173	190	+ 17
Corn Oil	231	210	207	- 3
Safflowerseed Oil	191	80	100	+ 20
Total	17,752	14,818	15,450	+ 632
Lauric Acid Oils				
Coconut Oil	2,092	-	-	-
Palm Kernel Oil	375	-	-	-
Babassu Oil	70	-	-	-
Total	2,537	-	-	-
Other Edible/Soap Fats and Oils				
Tallow and Greases	4,540	2,325	2,275	- 50
Palm Oil	1,555	340	440	+ 100
Fish and Seal Oil	896	-	-	-
Whale Oil	80	46	46	-
Total	7,071	2,711	2,761	+ 50
Total Edible/Soap, Fats and Oils	36,995	18,799	19,381	+ 582
Technical Oils				
Linseed Oil	927	644	780	+ 136
Castorseed Oil	345	206	218	+ 12
Tung Oil	111	22	31	+ 9
Oiticica Oil	10	-	-	-
Total	1,393	872	1,029	+ 157
Miscellaneous Fats and Oils	300	300	300	-
Grand Total	38,688	19,971	20,710	+ 739

Source: Report of the Special Session of the Study Group on Oilseeds, Oils and Fats (TD/B/C.1/86).

a/ Crop year November/October.

Table 3: Net Exports of Groundnuts and Groundnut Oil from the main producing countries (thousand tons)

	1968		January to month indicated	1968	1969	1968	1969
	Seed	Oil		Seed		Oil	
Groundnuts and Groundnut Oil a/							
Gambia	30	21.1	December	30	44	21.1	12.4
Nigeria	638	109.2	October	540	459	90.1	77.4
Malawi	30	..	June	12	3	..	..
Argentina	-	60.5	October b/	-	-	49.7	24.6
Brazil	10	0.4	June	7	5 c/	..	..
China c/	55	30.0	September	48	140	25.0	7.0
Niger c/	160	7.0	September	130	115	5.5	6.0
Portuguese Guinea	11	-	October	8	9	-	-
Senegal	239	160.3 b/	December	239	92 d/	151.1 de/	117.1 da/
South Africa	60	11.4	September	51	39	8.8	6.2
Sudan	79	0.7	November	67	67	..	..
United States	54	1.4	December	54	24	1.4	15.0
Total	1,365	402.0		1,186	897	358.7	265.7
Total as oil	615	402		534	404	359	266

Source: Tropical Products Quarterly, March 1970.

a/ Groundnuts in shelled equivalent

b/ Provisional

c/ Estimated

d/ January - September

e/ January - November

301. In Western Europe, the European Economic Community is by far the largest importer. In 1968 its groundnut seed and oil imports amounted to 656,000 tons in oil equivalent, compared with 612,000 tons in 1967.

302. However, during the first nine months of 1969, the Community's imports went down by 15 per cent compared with 1968. Imports into France, the major groundnut importer among Community members, decreased by 11 per cent during that period.

SECTION II. Position of the African countries in relation to the world market

A. Production

303. Some thirty African countries and territories produce groundnuts. The major producers are Nigeria, Senegal, Niger, Sudan, Uganda, Gambia, Democratic Republic of the Congo, Malawi and Mali.

304. In 1968-69, the combined production of these countries was approximately 2,634,000 tons, or some 17 per cent of world production. The production of Senegal and Nigeria together represented 65 per cent of the total.

B. Exports

305. There are a relatively large number of groundnut seed exporters in Africa. However, Nigeria and Senegal are by far the largest, as Table 4 shows. In 1967, these two countries totalled some 48 per cent of world exports; total African exports of groundnut seed amounted to 73 per cent of world exports.

306. In absolute figures, the value of African groundnut oil exports ($90,200,000) represented only 45 per cent of the value of seed exports.

307. As Table 5 shows, there are far fewer exporters of groundnut oil - only eight countries and territories (Democratic Republic of the Congo, Gambia, Mozambique, Niger, Nigeria, Southern Rhodesia, Senegal and Sudan). Senegal is by far the largest, with exports amounting to 42 per cent of the world total in 1967; the corresponding figure for Nigeria was only some 14 per cent.

C. Outlets for African Exports

308. Western Europe takes more than three-quarters of African groundnut exports.

Table 4: Value of groundnut seed exports from the African countries compared with the value of their overall export earnings and with the value of world exports of groundnut seed

(Value in Million U.S. dollars)

	1964				1965				1966				1967				1968			
	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports
	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/
Angola	204.0	0.5	0.2	0.2	200.0	0.6	0.3	0.2	221.0	0.3	0.1	0.1	238.0	0.3	0.1	0.1				
Cameroon	140.0	2.7	1.9	1.0	139.0	1.7	1.2	0.6	145.0	1.2	0.8	0.4	158.0	1.6	1.0	0.6				
Cape Verde Islands	12.0	0.1	0.8	0.0	11.0	0.0	0.0	0.0	12.0	0.1	0.8	0.0	13.0	0.1	0.8	0.0				
Central African Rep.	29.0	0.4	1.4	0.2	26.0	0.3	1.2	0.1	31.0	-	-	-	29.0	-	-	-				
Chad	27.0	0.4	1.5	0.2	27.0	0.0	0.0	0.0	24.0	0.0	0.0	0.0	27.0	0.0	0.0	0.0				
Congo (Brazzaville)	47.0	0.1	0.2	0.0	47.0	0.1	0.2	0.0	43.0	0.0	0.0	0.0	48.0	0.0	0.0	0.0				
Dahomey	13.0	0.6	4.6	0.2	14.0	0.4	2.9	0.1	11.0	0.5	4.5	0.2	15.0	0.9	6.0	0.3				
Ethiopia	105.0	1.5	1.4	0.6	116.0	0.5	0.4	0.2	111.0	0.4	0.4	0.1	101.0	0.3	0.3	0.1				
Gabon	90.0	0.1	0.1	0.0	96.0	0.1	0.1	0.0	100.0	0.1	0.1	0.0	120.0	0.0	0.0	0.0				
Gambia	9.0	4.8	53.3	1.8	14.0	6.7	47.9	2.5	16.0	5.8	36.3	2.0	19.0	6.2	32.6	2.3				
Guinea	43.0	0.4	0.9	0.2	43.0	0.4	0.9	0.1	58.0	0.4	0.7	0.1	60.0	0.2	0.3	0.1				
Ivory Coast	302.0	0.2	0.1	0.1	277.0	0.2	0.1	0.1	311.0	0.0	0.0	0.0	325.0	..	..	..				
Kenya	150.0	0.4	0.3	0.2	145.0	0.3	0.2	0.1	174.0	0.2	0.1	0.1	166.0	0.2	0.1	0.1				
Libya	620.0	2.2	0.4	0.8	797.0	1.2	0.2	0.4	995.0	0.8	0.1	0.3	1178.0	0.7	0.1	0.3				
Madagascar	92.0	1.5	1.6	0.6	92.0	1.6	1.7	0.6	98.0	1.2	1.2	0.4	104.0	1.5	1.4	0.6				
Mali	17.0	8.2	48.2	3.1	16.0	2.3	14.4	0.8	13.0	1.2	9.2	0.4	17.0	1.8	10.6	0.7				
Niger	21.0	13.3	63.3	5.0	25.0	14.6	58.4	5.4	35.0	21.6	61.7	7.4	26.0	17.5	67.3	6.4				
Nigeria	601.0	95.9	16.0	36.2	751.0	105.9	14.1	38.9	795.0	114.3	14.4	39.3	677.0	99.2	14.7	36.5				
Portuguese Guinea	5.0	4.1	82.0	1.5	4.0	2.2	55.0	0.8	3.0	2.6	86.7	0.9	3.0	1.7	56.7	0.6				
Malawi	35.0	3.1	8.9	1.2	40.0	4.6	11.5	1.7	49.0	3.6	7.3	1.2	57.0	9.5	16.7	3.5				
Rhodesia, Southern	374.0	0.7	0.2	0.3	442.0	0.0	0.0	0.0	273.0	0.4	0.1	0.1	264.0	0.3	0.1	0.1				
Zambia	470.0	0.1	0.1	0.0	532.0	0.9	0.2	0.3	691.0	1.0	0.1	0.3	658.0	1.0	0.2	0.4				
Senegal	123.0	36.9	30.0	13.9	129.0	37.3	28.9	13.7	149.0	52.2	35.0	17.9	137.0	31.5	23.0	11.6				
Sudan	197.0	26.4	13.4	10.0	195.0	24.7	12.7	9.1	203.0	20.8	10.2	7.1	214.0	18.7	8.7	6.9				
Tanganyika	197.0	2.1	1.1	0.8	176.0	1.7	1.0	0.6	235.0	1.0	0.4	0.3	222.0	1.0	0.5	0.4				
Togo	30.0	0.5	1.7	0.2	27.0	0.4	1.5	0.1	36.0	0.5	1.4	0.2	32.0	0.6	1.9	0.2				
Uganda	186.0	0.6	0.3	0.2	179.0	0.1	0.1	0.0	188.0	1.3	0.7	0.4	184.0	0.2	0.1	0.1				
U.A.R.	537.0	1.2	0.2	0.5	604.0	1.6	0.3	0.6	604.0	2.6	0.4	0.9	566.0	3.0	0.5	1.1				
Upper Volta	13.0	0.5	3.8	0.2	15.0	0.7	4.7	0.3	16.0	0.8	5.0	0.3	18.0	1.1	6.1	0.4				
Total		209.5		79.2		211.1		77.6		234.9		80.7		199.1		73.3				
World Total		264.6		100.0		272.1		100.0		291.0		100.0		271.6		100.0				

1/ D = B divided by World Total

Source : UNCTAD Secretariat.

Table 5: Value of groundnut oil exports from the African countries compared with the value of their overall export earnings and with the value of world exports of groundnut oil

(Value in Million U.S. dollars)

	1964				1965				1966				1967				1968			
	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports
	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/
Congo, Dem. Rep.	343.0	0.2	0.1	0.2	336.0	0.8	0.2	0.6	461.0	0.0	0.0	0.0	441.0	-	-	-				
Gambia	9.0	2.5	27.8	1.9	14.0	4.3	30.7	3.1	..	4.0	..	2.8	..	6.2	..	4.5				
Mozambique	106.0	2.1	2.0	1.6	108.0	3.4	3.1	2.4	112.0	2.4	2.1	1.7	122.0	3.4	2.8	2.4				
Niger	21.0	1.7	8.1	1.3	25.0	1.2	4.8	0.9	35.0	2.7	7.7	1.9	26.0	2.1	8.1	1.5				
Nigeria	601.0	22.8	3.8	17.3	751.0	28.0	3.7	20.0	795.0	27.1	3.4	19.2	677.0	20.1	3.0	14.4				
Rhodesia, Southern	374.0	0.9	0.2	0.7	442.0	0.8	0.2	0.6	273.0	..	..	..	264.0	..	..	..				
Senegal	123.0	48.8	39.7	36.9	129.0	53.2	41.2	38.0	149.0	53.5	35.9	38.0	137.0	58.4	42.6	41.9				
Sudan	197.0	0.5	0.3	0.4	195.0	0.3	0.2	0.2	203.0	-	-	-	214.0	-	-	-				
Total 2/		79.5		60.2		92.0		65.8		89.7		63.7		90.2		64.8				
World Total		132.1		100.0		139.9		100.0		140.8		100.0		139.3		100.0				

1/ D = B divided by World Total

2/ Excludes Rhodesia, Southern for 1966 and 1967.

Source : UNCTAD Secretariat.

309. As an example, in 1967 the value of all Senegalese exports of groundnuts and groundnut oil was estimated at some $90 million.

310. Sales to the OECD countries in that year amounted to approximately $87 million, including some $80 million to France.

311. Proportionately speaking, these figures are quite comparable with those available for Nigeria.

312. However, Nigeria's export outlets are more equally distributed. In 1968 it sent 390,000 tons of groundnut seed to the European Community market, 57,000 tons to the English market, and within the Common Market, 163,000 tons to France and 56,000 tons to the Federal Republic of Germany.

D. Importance of groundnut exports to the African countries

313. Table 4 shows that in 1967 four countries and territories drew over 20 per cent of their export earnings from the sale of groundnut seed abroad. The extreme case was Niger, which exported 67 per cent.

314. It should, however, be noted that between 1964 and 1967, or even from one year to the next, these percentages varied greatly. For instance, the value of exports of groundnut seed, expressed as a percentage of Senegal's total export earnings, went down from 35 per cent in 1966 to 23 per cent in 1967. The corresponding figures for Mali for the years 1964 and 1967 were 48.2 per cent and 10.6 per cent.

315. The value of total African groundnut exports tends to increase more slowly than that of world exports, and in 1967 Africa's share decreased by nearly 6 points compared with 1964.

316. However, the African groundnut oil export curve has developed quite differently; in 1967 groundnut oil exports represented 64.8 per cent of the world total, or 4 points more than in 1964, and the two movements are probably connected.

SECTION III. Problems and prospects

Competition from substitute products

317. One of the most important - perhaps the most important - problems facing the groundnut producing countries is competition from other oilseeds, including soya, sunflower and rapeseed, which are mainly produced in the developed countries.

318. For a whole series of end products (including margarine and various cooking oils), groundnut oil can be replaced by other vegetable oils and even, to some extent, by fish oil, all the more so because groundnut oil is often more expensive.

319. However, the price of these oils is apparently tending to follow the same movement, as will be seen from the size of the correlation co-efficients between groundnut oil on the one hand and cottonseed, soyabean and sunflowerseed oils on the other.1/

320. Nevertheless, among vegetable oils, groundnut oil is steadily losing ground to sunflowerseed oil and soyabean oil. Between 1960 and 1967 2/ exports of groundnut oil increased by only 3.5 per cent per year, whereas exports of the other two oils increased at the rate of 18.9 per cent and 5.9 per cent per year respectively.

Instability of groundnut export earnings

321. Another very worrying problem facing the producing countries is the instability of earnings from groundnut sales.

322. Groundnut prices show marked fluctuations from one year to the next and often from one month to the next. Between 1960 and 1967, groundnut prices have varied between $206 and $171 and groundnut oil prices between $330 and $268. 3/ These fluctuations generally stem from short-term variations in demand and especially in supply, and successive forecasts concerning the size and quality of crops by brokers and professional speculators.

323. Fluctuating prices are perhaps even more dangerous for groundnuts than for other commodities, since apart from their usual influences on the various countries' planning possibilities, they encourage the tendency of users to replace groundnut oil by other oils.

1/ See CCP:OF/68/5/5 "A buffer stock scheme for vegetable oils: a progress report" submitted by the joint UNCTAD/FAO secretariat to the 4th session of the Study Group on Oilseeds, Oils and Fats. The calculations in this study show that the unweighted average of correlation co-efficients between the prices of groundnut oil and the prices of other soft oils was 0.76 during the period 1960-1966.

2/ See "An outline of a plan for a promotional campaign in Western Europe" by the UNCTAD/GATT International Trade Centre, December 1969, presented to the African Groundnut Council.

3/ This estimate is taken from a study by Metra International for the EEC, entitled "Analyse économétrique du marché des oléagineux tropicaux".

324. The problem is complicated by the fact that export production also fluctuates and hence is unforeseeable.

325. The volume of export production is always very uncertain in the African countries because of climate and the natural hazards facing all agriculture and also because there is a large consumption of groundnuts in several countries and because it serves as an extra food when there are shortfalls in other cereal crops.

Competition among African exporting countries

326. The inadequacy of export production has had relatively favourable effects on prices, but it has apparently not ended the usual keen competition among African exporting countries on the markets of Western Europe. The entry of Senegal and Niger into the world market in 1967, following the ending of the guaranteed outlet for their production in the European Economic Community, did not help to settle this problem.

327. Middlemen are still setting one country against the other and tending to give colour to the rumour that one country has sold at lower prices than another. The African countries do business with the various countries without being able to check up on such statements.

Difficulties of maritime transport

328. Once the tonnages are sold, they have to be despatched at a "reasonable" rate. This is not always possible, firstly because as several African producers point out, there is little space available on some lines at certain periods; secondly because sea freight costs are generally fairly high and the rates are imposed by maritime conferences without prior discussion.

Tariff and non-tariff barriers

329. Yet another problem is worthy of mention: the tariff and non-tariff barriers which hinder exports of groundnuts and groundnut oil.

330. The exporting developing countries, especially the African ones, are affected in different ways by these barriers. It may therefore be useful to make a distinction between the obstacles hindering groundnut and groundnut oil consumption in accordance with whether they are harmful to all African countries in general or only to some.

331. The first category of restrictive measures hinders the exports of all African countries in a general way. These include, firstly, support and protection policies generally designed to protect local production and above all to ensure that the income of the country's farmers is more or less comparable with that of the rest of the active population employed in other sectors of the economy.

332. This notably is true of the protective measures in force in the United States, under which groundnut and soya producers have guaranteed outlets and, under certain conditions, can sell their crop at so-called support prices, much higher than the prices ruling on the free market. In addition, the United States levies very high import duties on groundnuts and especially groundnut oil. Imports of these products are, moreover, subject to a quota system.

333. The EEC also has a support policy for its member States' production under the regulations adopted for oils and fats.

334. Without going into the details of the present rather complex system, it can be said that producers of olive oil, which is subject to a special regime, have guaranteed outlets and prices. Users of other fats, including rapeseed and sunflowerseed, receive a subvention equivalent to the difference between an indicator price fixed at a fair level for producers, and the world market price. In addition, the Community may buy these products at an "intervention" price if prices drop below a certain level.

335. On the whole the developing countries, whether or not they produce groundnuts, levy fairly high duties on groundnut and groundnut oil imports, often for fiscal reasons.

336. The second category of tariff and non-tariff barriers affects only some of the African producing countries. In practice, the countries unaffected by these measures have preferential access to the markets of the developed countries which apply them.

337. For example, a 10 per cent ad valorem duty on groundnut seed and 15 per cent on groundnut oil is levied by the United Kingdom on exports from non-Commonwealth African and other countries, whereas other countries, including African members of the Commonwealth, are exempt.

338. Similarly, groundnut seed and groundnut oil exports from the African countries associated with the Common Market pay no duties in that market, whereas groundnut oil exports from African countries that are not associated with the Common Market face duties ranging from 5 to 15 per cent, except for Nigeria which has a tariff quota.

SECTION IV. International action on groundnuts

339. International action on groundnuts takes three major forms.

A. Firstly, at the widest international level, it should be recalled

that in implementation of resolution 16 (II) 1/ of the second session of the United Nations Conference on Trade and Development, the Secretary-General of UNCTAD and the Director-General of FAO convened a special session of the Study Group on Oilseeds, Oils and Fats, which was held in London in February 1970.

340. The Group decided 2/ to set up a Statistical Sub-Committee to collect, analyse and make available comprehensive statistics and related evaluations of the current and prospective market situation for oilseeds, oils, fats, oilcakes and meals.

341. The Study Group suggested to the FAO Committee on Commodity Products that the Group's name should be changed to "Intergovernmental Consultative Committee on Oilseeds, Oils and Fats".

342. On the basis of the data obtained by the Statistical Sub-Committee, the Consultative Committee would:

(a) identify specific problems calling for short-term action;

(b) after examining all national, regional or international measures already being taken or envisaged for dealing with these problems, make recommendations, if necessary, for the co-ordination of such measures and for additional informal short-term measures which might be taken.

343. The Group also recommended to the FAO Committee on Commodity Problems and the UNCTAD Committee on Commodities that the status of the Intergovernmental Consultative Committee on Oilseeds, Oils and Fats be changed to that of an FAO/UNCTAD Intergovernmental Consultative Committee on Oilseeds, Oils and Fats.

344. The Group also examined the short-term problems for the market as a whole and for given products. It studied the problems involved in the interchangeability of various commodities, and those based on short-term imbalances between export availabilities and import requirements.

345. A preliminary examination was made of methods of co-ordinating national and international measures already taken or envisaged for solving

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1/ Oilseeds and fats are among the commodities for which international action was recommended under resolution 16(II).

2/ See the Report of the Special Session of the Study Group on Oilseeds, Oils and Fats, TD/B/C.1/86.

the problems in question. It was considered, for example, that when supplies of one oil substance or another were inadequate, the countries concerned should agree to place existing stocks on the market, and that conversely, if there were a surplus either for the whole market or for some products, the various countries could temporarily withhold stocks or grant food aid if the necessary financial resources were made available to them.

346. The Group made a further examination of long-term measures already identified at previous sessions as approaches worthy of special attention. Measures concerning trade liberalization, trade promotion, buffer stocks, internationally-financed food aid, productivity and diversification were discussed.

347. However, in view of the complexity of the problems involved, the Group decided to refer them to the Intergovernmental Consultative Committee. 1/

B. Within GATT there are various bodies dealing with problems of liberalizing trade in oilseeds and fats.

348. However, this is apparently the particular task of the Agriculture Committee. Oilseeds are among the commodities whose problems under the Committee's work programme, have to be identified before appropriate solutions can be found.

349. At its last session 2/ the Committee agreed that it had identified the problems of oilseeds and vegetable oils and that it should now seek for mutually acceptable solutions to those problems, based on specific proposals by delegations.

350. The delegations of Nigeria and Ceylon, supported by several others, made proposals for the reduction and elimination of tariff, non-tariff and other barriers to trade in tropical oilseeds and vegetable oils.

351. It was suggested that member countries directly concerned by the request by Nigeria and Ceylon should agree to maintain the status quo on the barriers in question for the time being. However, since several of the

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1/ The following countries took part in the special session: Algeria, Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Bulgaria, Cameroon, Canada Ceylon, Colombia, Denmark, Dominican Republic, Ecuador, El Salvador, Ethiopia, Finland, France, Gabon, Federal Republic of Germany, Ghana, Greece, Hungary, Indonesia, India, Israel, Italy, Ivory Coast, Japan, Kenya, Liberia, Madagascar, Malawi, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Niger, Nigeria, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Rumania, Senegal, South Africa, Spain, Sudan, Sweden, Switzerland, Thailand, Togo, Turkey, United Arab Republic, United Kingdom, United States, USSR, Venezuela, Yugoslavia.

2/ See Agriculture Committee: Report to the Council, GATT document L/3320.

member countries directly concerned refused, the Committee decided to come back to the question and to the two proposals after the special session of the FAO/UNCTAD study group mentioned above.

C. The work of the African Groundnut Council is more limited in context, since its only members are African groundnut-producing countries. 1/

352. Under its statutes, the African Groundnut Council, founded in 1964, pursues the following objectives:

1. To ensure through adequate joint action remunerative prices for groundnut and its by-products in the world market;

2. To promote the expansion of consumption of groundnut;

3. To organize exchange of technical and scientific information on research relating to the production, marketing and possible uses of groundnut;

4. To establish continuous liaison, discuss problems of mutual interest and advance social and economic relations among the contracting Parties.

353. At its last session, held at Khartoum last April, the Council apparently examined various questions including the co-ordination of member States' position regarding a draft international agreement on oilseeds, oils and fats submitted to them, and on the results of the special session of the Study Group on Oilseeds, Oils and Fats.

354. This year has also been marked by the installation of a European Sales Promotion Office in Geneva, responsible for generic publicity on African groundnuts. The target is to increase groundnut sales in various Western European markets, including France, the United Kingdom and Germany.

355. The aim of the proposed campaign, if our information is correct, 2/ is to increase the annual consumption growth rate of groundnuts from the present 3.5 per cent to 6 per cent.

356. According to the plan put forward by the UNCTAD/GATT International Trade Centre, this campaign should continue for three years at least to have

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1/ The following countries are now members of the African Groundnut Council: Nigeria, Senegal, Niger, Mali, Gambia, Sudan, Democratic Republic of the Congo.

2/ See "Outline of a plan for a promotional campaign in Western Europe" presented by the UNCTAD/GATT International Trade Centre to the African Groundnut Council.

any effect. It would be financed by a levy of half to one per cent of the value of member countries' exports. This would produce some $1,500,000 to $2,000,000. There might also be contributions from traders in importing countries affected by the campaign.

SECTION V. Proposals for joint action by producing countries

A. Critical examination of international action

357. As regards international action in the widest sense, the most important event of the last few months is certainly the special session of the Study Group on Oilseeds, Oils and Fats held under the joint auspices of UNCTAD and FAO.

358. As the UNCTAD secretariat recalls in a note 1/ "the specific purpose" of the Special Session was "to undertake further consultations in accordance with Conference resolution 16 (II) C and, to the extent possible, make practical proposals for short-term action and long-term measures for intergovernmental arrangements, as well as to consider whether any additional continuing machinery was required".

359. Probably the Special Session's most important decision was to set up an Intergovernmental Consultative Committee on Oilseeds, Oils and Fats in replacement of the Study Group on Oilseeds, Oils and Fats.

360. The Consultative Committee has been given a much more active role than the group which it is replacing, since its terms of reference are not only to "identify specific problems calling for short-term action", but also to make recommendations for the co-ordination of all national, regional or international measures already being taken or envisaged for dealing with the problems involved.

361. The Committee may make recommendations concerning adoption of further informal, short-term measures, and here there is a clear difference compared with the terms of reference of the Study Group.

362. During the session the possibility of adopting measures similar to those for hard fibres was envisaged, to reduce short-term price fluctuations.

363. However, as regards long-term problems (including, apparently, the possible conclusion of a world agreement on oilseeds, although the report in question does not say so explicitly), the Special Session requested the Intergovernmental Consultative Committee to find solutions.

1/ See Report of the Special Session of the Study Group on Oilseeds, Oils and Fats (TD/B/C.1/86).

364. The Group agreed that in view of their "complexity", those elements of the long-term problems which involved special attention would be referred to the proposed Intergovernmental Consultative Committee for further consideration. 1/

365. It remains to be seen how, and how soon, the new Committee will manage to carry out its heavy tasks.

366. As regards the African Groundnut Council, the creation of a Sales Promotion Office is obviously a step in the right direction.

367. Generic publicity for African groundnuts in Western Europe could help to enlarge and in any case consolidate the present outlets which are increasingly threatened by competition from Soybean, sunflowerseed and rapeseed if, of course, the campaign is carried out with the necessary skill and on the necessary scale, and over a long enough period for durable results to be made possible.

368. Moreover, through the Bureau, the member countries of the Council may keep in more direct touch with the European trade than has hitherto been possible.

369. The establishment of the Promotion Bureau is one of the first major decisions taken by the Council after its "interim period" 2/ and the importance of this should be stressed.

370. However, it may be considered that the African Groundnut Council is far from having exhausted its possibilities of action in solving member States' continuing problems.

371. These possibilities are limited, notably by the constant threat of groundnuts being replaced by other oil products produced in the developed

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1/ op. cit.

2/ Under Article 4 of the Council's statutes, after an interim period of three years during which "the Council shall be empowered ..... to make to the contracting Governments recommendations relating to the marketing on the international market of groundnuts and its by-products exported by the participating countries", "the agreement will be reconsidered so as to give the Council the power to take binding decisions relating to the policy of marketing on the international market of groundnuts and its by-products exported by the participating countries". The interim period, which began in 1965, was later prolonged by one year.

countries or even by synthetics for certain end uses, and also because in several Western European markets, notably in France, consumption is reaching a ceiling beyond which it will be hard to expand. The possibilities may also be limited by the preference of some member States for an intergovernmental arrangement on a world-wide scale.

372. This said, it is still true that within the oilseed group, groundnuts, and in particular groundnut oil, have a relatively "independent" market compared with many other products, and that in some Western European countries consumers prefer it. 1/

373. There is nothing to stop the member countries of the Council from trying to attain a world agreement on oilseeds, or even an informal one more limited in scope, if they can co-ordinate their position on the matter better than hitherto.

374. However, without prejudging the rapidity with which these targets can be attained, if they are attained a certain period will be needed. Experience of formal and informal international agreements shows that they are unlikely to solve all the problems that have been mentioned in any case.

B. Proposals for joint action

375. However, in the relatively near future, the African Groundnut Council could help to solve some of the major problems, 2/ partly or wholly, if members could reach agreement.

376. 1. Firstly, the Council should set up a Sales Commission composed of groundnut sales service managers member countries. This would be responsible for defining the sales policy to be followed by all member countries. The Commission, which would meet before and after each groundnut campaign, or whenever special circumstances required, would be responsible:

(a) for determining the size of export availabilities by each member and allocating them among the various markets, taking account as far as possible of traditional trade flows;

(b) for setting the tempo for deliveries so as to avoid excess simultaneous supply;

1/ See Report of the Special Session of the Study Group on Oilseeds, Oils and Fats (TD/B/C.1/86).

2/ It will be noted that some of the following proposals have already been considered by the Council and which has in some cases agreed that they can solve the problems involved. However, to our knowledge, no practical steps have been taken to implement them.

(c) for establishing minimum and maximum sales price ranges.

377. 2. To carry out this policy the African Groundnut Council would have to set up a "Joint Sales Bureau". This would be responsible for:

(a) direct discussion and negotiation on sales contracts with purchasers without going through the various middlemen as is the case at present;

(b) determining, in accordance with the state of the market, the spacing out of deliveries from day to day, taking into account instructions received from the Sales Commission;

(c) keeping member States informed of market developments;

(d) carrying out systematic continuous prospection and promotion to enlarge member States' outlets 1/ in the traditional Western European markets as well as in new ones, possibly in other developing countries, and in particular in Africa. 2/

378. 3. To implement this policy, the African Groundnut Council would have to have the necessary funds to equip the Sales Bureau with the facilities necessary for its operation (including direct methods of communication with member countries and purchasers), and also to finance stocking of member States' groundnut production so that sales could be made at the best possible times.

379. Apart from member States' contributions, financial assistance could be jointly requested from the appropriate international institutions.

380. 4. To strengthen the bargaining power of the Joint Sales Bureau with purchasers, it would be to the interest of the African Groundnut Council to recruit members from other groundnut producing countries firstly in Africa, and then among the developing countries outside the continent.

1/ In other words, the present Sales Promotion Bureau would be taken over by the Joint Sales Bureau.

2/ For this the member States of the Council would have to agree to sell on special conditions in these new markets, as under the Coffee Agreement. The action proposed here would be different from the long-standing demands of the producing countries for financing food aid by the international community in the form of groundnuts.

381. 5. Contacts could also be made with countries or associations of countries producing other oilseeds, especially palm oil, of which there are many in Africa. The African Groundnut Council would undoubtedly strengthen its influence if later on, at a stage of its choice, it could convert itself into an African Oilseed Council.

382. Non-African producers of other oilseeds also come to mind. The Asian Coconut Community and the African Groundnut Council would both have much to gain from establishing close working relationships, notably at secretariat level. Exchange of information on problems encountered by either group of commodities and the way in which each organi ation solves them could, in spite of differences in commodity problems, be of great interest.

383. 6. Member States could undertake concerted action to do away with or at least reduce non-tariff barriers hampering expansion of their groundnut and especially groundnut oil exports in certain markets.

384. The most convenient way of handling this, and the one on which they could probably agree most easily, would be to agree on joint campaigning among governments applying restrictive policies towards all member countries. 1/

385. 7. The establishment of a Research Institute attached to the African Groundnut Council would also be useful. Its main tasks would be:

(a) to carry out research on new possibilities of using groundnut and by-products;

(b) to help member countries to improve their productivity, which would increase the competitiveness of groundnuts with substitute products;

(c) to keep a permanent check on the quality of member States' production.

1/ See Section III (Problems and prospects) for the distinction made between market-access problems concerning all the African producing countries, and the problems facing some of them.

CHAPTER V

RUBBER 1/

SECTION I. The world market position

A. Production

386. Total world production of natural rubber rose from 2,635,000 tons in 1968 to 2,872,000 tons in 1969. 2/

387. In calculating the total supply over these two years, releases from the United States stockpile must be added. These fell from 74,000 tons in 1968 to 35,000 tons in 1969, when they were suspended.

388. Malaysia is the world's major producer of natural rubber. In 1969 its output was probably 1,280,000 tons, or 45 per cent of the total world production. Together, Malaysia and Indonesia accounted for 70 per cent of world production for that year.

389. World production of synthetic rubber is estimated to have risen from 4,012,000 tons in 1968 to 4,525,000 tons in 1969. Of these, 2,286,274 tons were manufactured in the United States and the remainder in other developed market-economy countries, but also in some of the developing countries including Brazil, India, Argentina and Mexico.

B. Exports

390. World exports of natural rubber amounted to 2,497,500 tons in 1968 and to 2,712,500 tons in 1969.

391. Exports from Malaysia in 1968 amounted to 1,114,227 tons, or approximately 42 per cent of the total world exports of natural rubber. Exports from Malaysia and Indonesia combined were slightly less than 75 per cent of the world total.

C. Imports

392. Almost the entire world production of natural rubber is exported to

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1/ Statistics in this study are taken mainly from the Rubber Statistical Bulletin, the International Rubber Study Group's report to UNCTAD for 1969, and various UNCTAD reports.

2/ See the Rubber Statistical Bulletin, April 1970.

comparatively few countries. As shown in Table 1, markets in the United States, the United Kingdom and other Western European countries (mainly the Federal Republic of Germany, France and Italy) account for over half the quantities imported, the remainder going to the Soviet Union, Japan and Mainland China.

393. Unlike the natural product, synthetic rubber is largely what might be called self-consumed by the producing countries, and only 26 per cent of the world production finds its way into the international trade. Western Europe and North America share the market, accounting for 49 and 42 per cent respectively.

SECTION II. Position of the African countries on the world market

A. Production

394. At first glance, African production of natural rubber appears to have increased rapidly in recent years, having risen from a yearly average of 150,000 tons during the period 1961-1963 to 169,000 tons in 1966-1968, to 183,000 tons in 1969.

395. In point of fact, African production still accounts for a very small percentage of the world total (5 per cent in 1967). No less remarkable is the fact that the average growth rate from 1961-1963 to 1966-1968 was only 2.4 per cent. This should be compared with the growth rate of world production (3.5 per cent) and Asian production (3.6 per cent), as shown in Table 2.

396. There are several African countries which produce natural rubber, the most important being Liberia, Nigeria, Ghana, Democratic Republic of the Congo, the Federal Republic of Cameroon, Ivory Coast and the Central African Republic.

B. Exports

397. African exports of natural rubber are mainly from the above mentioned countries, as shown in Table 3. In 1967 they represented only 6 per cent of the total world volume and 5 per cent of the value.

398. Liberia is one of the oldest African natural rubber exporters. At present it is the major exporter, but as shown in Table 3, it alternates with Nigeria from one year to the next.

399. It will also be seen that other exporting countries which admittedly are newcomers to natural rubber production and have less tonnage available, are currently increasing the rate of their exports as fast as - or in some cases even faster than - the two countries just referred to.

Table 1: The pattern of trade in natural rubber

Imports from / Imports into	Year	Malaysia a/ (1)	Indonesia (2)	Total (1)+(2)	Thailand	Ceylon	Vietnam and Cambodia	Africa	Others	Total imports (= 100 %)
		Percentage of total imports (in millions of tons)								
USA	1966	26.1	55.3	81.4	1.4	2.1	0.5	14.2	0.4	440
	1967	37.1	42.1	79.2	1.8	2.0	0.9	15.5	0.6	461
	1968	42.6	33.0	75.6	6.2	1.8	0.8	15.5	0.1	550
Japan	1966	24.0	42.1	66.1	26.1	2.3	4.7	0.7	0.1	230
	1967	30.9	32.3	63.2	30.0	2.1	4.6	[illegible]	-	243
	1968	44.0	19.9	63.9	30.0	1.9	3.9	0.3	-	258
United Kingdom	1966	54.7	12.2	66.9	7.3	2.0	3.4	18.5	1.9	187
	1967	62.2	10.6	72.8	4.4	2.2	5.3	12.0	3.3	194
	1968	65.6	10.2	75.8	4.5	1.8	4.0	13.1	0.8	203
Other Western European countries	1966	47.1	19.2	66.3	8.1	2.5	9.2	9.6	4.3	570
	1967	52.8	16.2	69.0	8.0	2.4	8.5	9.1	2.9	564
	1968 b/	48.6	19.3	67.9	7.5	2.3	7.8	8.9	5.6	588
USSR	1966	78.7	17.6	96.3	-	3.6	-	0.1	-	295
	1967	75.9	18.8	94.7	0.7	4.1	-	0.5	-	262
	1968	81.3	15.6	96.9	0.3	2.8	-	-	-	325
Mainland China	1966	66.8	12.4	69.2	-	30.8	-	-	-	175
	1967	61.6	-	61.6	-	38.4	-	-	-	163
	1968	59.0	-	59.0	-	41.0	-	-	-	217

Source: Report by the International Rubber Study Group (UNCTAD Document TD/B/C.1(V) Misc.1/Add.2)

a/ Including Singapore

b/ Estimated

Table 2: Supply of natural rubber

	Average annual growth 1961-63 to 1966-68	Averages		1966	1967	1968	1969[a]
		1961-63	1966-68				
	Per cent				(Thousand tons)		
PRODUCTION							
Malaysia	4.5	833	1 035	998	998	1 110	1 240
Indonesia	2.7	649	743	716	762	752	762
Thailand	3.6	190	227	207	214	259	270
Ceylon	6.7	102	141	131	143	148	154
Other Asian countries	0.5	174	178	197	180	176	186
Total production of Asian countries	3.6	1 948	2 324	2 229	2 297	2 445	2 612
Africa	2.4	150	169	177	164	166	183
Latin America	0.7	29	30	31	28	30	30
Total production	3.5	2 127	2 523	2 437	2 489	2 642	2 825
	11.6	64	11	159	101	74	35
TOTAL SUPPLY	3.8	2 191	2 634	2 596	2 590	2 716	2 860

Source: Rubber Statistical Bulletin, April 1970.

a/ Estimates

Table 3: Net exports of natural rubber from African countries (in metric tons)

	Liberia	Nigeria	Ghana	Congo	Fed.Rep. of Cameroon	Central African Republic	Ivory Coast	Other African countries	Grand Total
1959	44 405	54 059	583	40 145	3 958	798	-		144 000
1960	48 383	59 467	793	35 557	4 195 1/	573	-		149 250
1961	41 205	55 737	415	37 661	8 644	531	100		144 250
1962	45 392	60 080	347	37 529	7 982	691	150		152 250
1963	41 342	64 221	343	37 590	9 21[illegible]	976	398		154 000
1964	42 565	72 240	340	34 240	8 911	988	1 553		160 750
1965	42 219	68 963	218	21 097	11 110	1 000	2 764		154 500
1966	52 847	71 024	41	27 750	12 266	1 000	5 544		170 500
1967	62 270	47 938	351	30. 500	11 673	1 250	5 811		159 750
1968	64 004	52 807	214	33 000	8 441	1 250	6 978		166 750

Source: Rubber Statistical Bulletin, April 1970.

1/ Including Western Cameroon.

Table 4 : Outlets for African natural rubber exports in 1967 (thousand dollars)

Imports from / Exports to	Canada	United States	Japan	OECD Europe	EEC						EFTA						Iceland	Ireland	Spain	Greece	Turkey	Yugoslavia
					Belgium	Nether-lands	Germany	France	Italy	UK	Norway	Sweden	Denmark	Austria	Swizer-land	Portugal						
Liberia	38	21,458	-	3,774	-	17	992	879	694	1,252	-	-	-	-	..	-	-	-	-	-	-	-
Ivory Coast		35	-	2,207	77	43	121	1,101	781	60	-	17	-	3	-	-	-	-	4	-	-	-
Ghana		-		71	-	-	-	-	25	46	-	-	-	-	-	-	-	-	-	-	-	-
Nigeria	3,771	4,443	95	12,615	295	335	3,251	212	115	6,489	-	1,616	149	17	1	2	-	21	112	-	-	-
Cameroon		224	-	3,987	6	7	425	880	250	1,670	-	737	-	5	2	-	-	-	5	-	-	-
Equatorial Customs Union 1/		-	-	486	33	23	8	175	53	171	-	15	-	-	-	-	-	-	8	-	-	-
Dem. Rep. of the Congo		3,453	-	7,819	1,973	255	982	2,387	1,276	189	-	45	39	9	6	-	-	-	656	2	-	-
Rwanda/Burundi		174	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,809	29,787	95	30,959	2,384	680	5,719	5,634	3,194	9,877	-	2,430	188	34	9	2	-	21	785	2	-	-

Source: OECD Trade Yearbook 1968.

1/ This covers production in Gabon, Congo-Brazzaville, Chad and the Central African Republic.

Table 5: Exports of Rubber from African countries

(Value in Million U.S. dollars)

Country	1964				1965				1966				1967				1968			
	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports
	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/
Cameroon	140.0	1.7	1.2	0.1	139.0	4.9	3.5	0.4	145.0	1.9	1.3	0.1	158.0	4.4	2.8	0.4				
Central African Republic	29.0	0.4	1.4	0.0	26.0	0.4	1.5	0.0	31.0	0.5	1.6	0.0	29.0	0.3	1.0	0.0				
Congo, Dem. Rep.	343.0	13.6	4.0	1.1	336.0	9.1	2.7	0.7	461.0	10.4	2.3	0.8	441.0	9.6	2.2	0.8				
Ghana	293.0	0.1	0.0	0.0	291.0	0.1	0.0	0.0	244.0	0.0	0.0	0.0	278.0	0.2	0.1	0.0				
Ivory Coast	302.0	0.7	0.2	0.1	277.0	1.3	0.5	0.1	311.0	2.6	0.8	0.2	325.0	2.3	0.7	0.2				
Liberia	126.0	29.7	23.6	2.4	131.0	29.0	22.1	2.3	146.0	27.0	18.5	2.1	153.0	26.8	17.5	2.2				
Nigeria	601.0	33.9	5.6	2.7	751.0	30.6	4.1	2.4	795.0	32.0	4.0	2.5	677.0	17.8	2.6	1.4				
Total		80.1		6.4		75.4		5.9		74.4		5.7		61.4		5.0				
World Total		1244.8		100.0		1281.5		100.0		1306.0		100.7		1222.7		100.0				

1/ D = B divided by World Total

Source : UNCTAD Secretariat.

C. Outlets for African exports

400. The OECD countries 1/ provide the major and, in fact, almost the only outlets used at the present time for African natural rubber exports.

401. Two vast consumer areas, the United States and the European members of the OECD, share the African exports in almost equal proportions, as shown in Table 4.

402. There are, however, distinct structural differences in the individual exporting countries' outlets. The greater part of Liberia's revenue from rubber exports, for instance, comes from the United States (see Table 4). The relevant figure is 21,458,000 dollars, as against Liberia's exports to the other countries listed, which amount to 7,585,000 dollars. The outlets for Nigerian exports, however, are a little more diversified, including over 8 million dollars in sales to North America and 12,615,000 in sales to the OECD countries in Europe.

403. This is not the only difference between these two countries as regards their position on the world rubber market.

D. Importance of natural rubber exports for the African countries

404. Comparing the extent to which they depend on revenue derived from rubber exports, one is struck by the disparity between the percentages (17.5 in the case of Liberia, and 2.6 in that of Nigeria). 2/ Moreover, it should be noted that, generally speaking, in the other African countries concerned rubber sales account for only a comparatively small share of their export receipts. In a way, this has proved to be just as well, owing to the steady decline in unit prices which seems to have marked the African countries' receipts from the rubber trade as a whole from 1964 to 1967. This price recession was particularly sharp in 1965 and 1966, when tonnage rose from 154,000 to 170,000 but export receipts fell from 75,400,000 to 74,400,000 dollars.

SECTION III. Problems and prospects

405. Less than a year ago, the position of the international natural rubber market might have seemed a priori to be satisfactory in many respects.

406. After establishing a record level in 1968, world natural rubber production broke through yet another barrier in 1969. World consumption of natural rubber was also growing fairly rapidly.

1/ See Table 5

2/ See Table 5

407. Prices, which had risen substantially in 1968, increased still further in 1969, 1/ when in February of that year the United States Government decided to terminate sales from stockpile releases.

408. Needless to say, that approach was not altogether in keeping with the realities of 1970, and even in 1969 it was not considered fully satisfactory from several important standpoints.

Current trend towards lower prices

409. There has been a marked decline in the international rubber market in recent months. The trend is towards a fall in prices, and the announcement 2/ on 16 April last that 169,000 tons of natural rubber were to be released from the United States stockpile did nothing to improve the market position.

Competition from synthetic rubber

410. Above all, the basic problems of the international market are still the same as in 1969.

411. The major problem, of course, is that of competition from synthetic rubber. This is mainly a case of technically superior properties or more attractive prices of one or other product according to the end-use for which it is intended. For some purposes, synthetic rubber has properties which are technically superior to those of natural rubber, while for others the reverse is true.

412. In between there is an area in which natural rubber and synthetic rubber compete mainly on price grounds, or in which some blend of the two is technically preferable to either used alone. 3/

413. To help solve the problem of competition between the two types of elastomer, the producing countries have been trying for several years past to reduce production costs, either by replanting high-yielding clones or by developing improved grades of natural rubber. 4/

1/ Average prices of natural rubber were one-third higher in 1969 than in 1968.

2/ See Marchés tropicaux, 21 May 1970

3/ See "International Policies for the World Rubber Market and the Improvement of their Factual Basis". Note by the UNCTAD secretariat. TD/B/C.1/SYN/11.

4/ See paragraph below on problems facing the producer countries in marketing these products.

414. Meanwhile natural rubber has been losing ground for several years past as compared with the synthetic product. From 1961-63 to 1966-68, the growth rate for natural rubber production was only 3.5 per cent, while that of synthetic rubber was 9.7 per cent. Over the same period the growth rates for natural rubber and synthetic rubber consumption in the developed market economy countries (which are practically the only outlets for African natural rubber exports) were 3.7 and 10 per cent respectively. This led to a marked decline in natural rubber's share in world elastomer consumption, which fell from 44 per cent in 1961-63 to roughly 37 per cent at the present time.

Fluctuations in natural rubber prices

415. Another basic problem confronting the African countries as well as other producers of natural rubber, is that of price fluctuations. Indeed, natural rubber is one of the commodities for which prices fluctuate most, due mainly to speculation but also to alternating accumulation of stocks and releases from stockpiles. In this way, the gap between the unit prices of rubber exports and the general trend was roughly 16 per cent during the period 1953-1964. 1/

Barriers to the trade in natural rubber

416. So far, less attention has been given to the problem of obstacles to the natural rubber 2/ trade than to that of price fluctuations, but it is becoming increasingly acute.

417. In actual fact, natural rubber when placed on the market in its crude form is either subject to various restrictions in some of the centrally-planned economy countries, or is liable to customs duties in some of the developing countries; but generally speaking it is exempt from tariff or non-tariff restrictions in the developed market economy countries which are of course the major outlets.

418. In the latter, obstacles are raised mainly to imports of new and improved grades of natural rubber, that is to say, rubber which according to the Standard Malaysian Rubber model has undergone certain processes to strengthen it and adapt it to the technical standards of the industries for which it is intended.

1/ See UNCTAD TD/B/C.1/46/Rev.1.

2/ See "Barriers to trade in raw, semi-processed and improved forms of natural rubber". Note by the UNCTAD secretariat. Document TD/B/C.1/SYN/24.

419. It so happens that these improved grades of rubber have experienced considerable success with consumers and that the exporting countries, rightly perceiving a means of increasing the value of natural rubber, have substantially expanded production in barely five years so that it is anticipated production capacities might exceed 400,000 tons as early as this year. 1/

420. The fact still remains, however, that several of these new varieties are faced, in one form or other and for various reasons (not the least of which would appear to be the difficulty of categorizing the varieties correctly from the point of view of tariffs) with tariff barriers on the markets of the United States of America, the European Economic Community, the United Kingdom and Japan in particular.

SECTION IV. International action in the sphere of rubber

421. International action in the sphere of rubber is taking place on a number of fronts:

422. Firstly in UNCTAD rubber is one of the products being considered by the Permanent Group on Synthetics and Substitutes. At its most recent session this Group passed a resolution concerning various aspects of rubber problems, calling in particular for the liberalization of trade in the new improved grades. The UNCTAD secretariat has been devoting several reports to rubber, while constructing an econometric model of the world rubber market.

423. Next, the activities of the International Rubber Study Group 2/ should also be noted. Its Natural and Synthetic Rubber Producers Consultative Committee 3/ met in Paris in October 1968 and gave detailed consideration to papers which had been prepared on:

1/ An indication of the success achieved with these new grades is that they constitute virtually the whole of Ivory Coast's production.

2/ The International Rubber Study Group is an inter-governmental organization comprising the following countries: Australia, Austria, Belgium, Brazil, Burma, Cambodia, Federal Republic of Cameroon, Canada, Ceylon, Czechoslovakia, Denmark, France, Federal Republic of Germany, Hungary, India, Indonesia, Italy, Ivory Coast, Japan, Liberia, Malaysia, Netherlands, Nigeria, Singapore, Sweden, Thailand, USSR, United Kingdom, United States of America and Republic of South Viet-Nam.

3/ See in this connection the report of the International Rubber Study Group in Commodity Survey 1969 (TD/B/Gen(V) Misc.1/Add.2). The summary given here of the Group's activities is largely based on that Report.

a) the areas in which the usage of general-purpose elastomers is determined on technical grounds, and the areas in which substitution is possible on price considerations;

b) production costs of general-purpose synthetic rubbers and of natural rubber;

c) rubber marketing practices and the advisability of establishing a fair marketing code for rubber.

424. With regard to marketing practices and a fair marketing code, the Committee agreed on certain guiding principles which it decided to submit to the Group for approval. The Committee also decided to request the Group to undertake a detailed analysis of the market for all rubbers with a view to determining the nature of likely future problems and the ways which they could be resolved or minimized.

425. The two recommendations were subsequently accepted by the International Rubber Study Group.

426. The member Governments were requested to give consideration to the guiding principles in question in implementing their marketing policies. In addition, the General Secretariat of the Group was authorized to undertake a comprehensive study of the short and long-term problems confronting the rubber market and of the necessary solutions, and to request accordingly the assistance of several international organizations, including UNCTAD, FAO and IBRD.

427. The Group held its most recent Assembly in July 1969 in London. This meeting is reported to have enabled the member countries to review the progress of various studies then being undertaken and to take a number of decisions designed to improve the collection and dissemination of statistical data relating to rubber.

428. A symposium on the marketing of new improved grades of natural rubber was held in conjunction with this twentieth Assembly.

429. On another level, and in a field which is of vital importance to the producing countries, mention should be made of the efforts made by various international organisations to co-ordinate the activities of the bodies which are engaged, in several countries, in scientific and technical research on rubber.

430. Particular mention should be made of the International Rubber Research and Development Board, which includes the rubber research institutes of Malaysia, Indonesia, Ceylon and India, and the Institut Français du Caoutchouc, which groups the research institutes of the Franc zone, including that of Ivory Coast. For some years the Board has been engaged in promoting and organizing a measure of co-operation among its various national member

institutes, particularly dissemination of the findings of their research and the establishment of joint standards.

431. Last but not least, several countries which produce natural rubber have been tending for some time to co-ordinate to some extent their rubber marketing policies.

432. Thus, in October 1969 at Kuala Lumpur, on Malaysia's initiative, it was agreed to set up an Association of Natural Rubber Producing Countries, 1/ the aim of which is to take joint marketing measures to maintain natural rubber prices at equitable and remunerative levels. The Association will also examine the marketing mechanism and present techniques and practices in this field, and strengthen collaboration between natural rubber producing countries to improve their efficiency, encourage consumption of natural rubber and examine any possible immediate and long-term solutions to the problems facing the producing countries.

433. According to certain information in the Press, 2/ the Association should now have a really good chance of making some headway in that it can count on the effective support of Ceylon, Indonesia, Thailand and Malaysia, all countries which have ratified the agreement setting up the Association.

434. Furthermore, still at the level of the rubber-producing countries, but within narrow geographical limits, Thailand and Malaysia would seem to have decided 3/ in October 1969 to join Singapore in the joint natural rubber marketing scheme of Asian natural rubber producing countries. Indonesia has agreed in principle to take part in the joint natural rubber marketing scheme, which is designed to eliminate manipulation of natural rubber prices.

SECTION V. Proposals for concerted action by producing countries

A. Critical examination of international action

435. International action in the sphere of rubber is, as we have seen, very intense. The various bodies which, in one way or another, are concerned with the problems connected with this product have been greatly increasing the

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1/ See the Joint Communique of the Conference of Natural Rubber Producing Countries, contained in the Summary of Proceedings of the Nineteenth Assembly - Sao Paulo, 16 - 20 October 1967. Delegations of Ceylon, Indonesia, Liberia, Singapore, Thailand, South Viet-Nam and Malaysia attended the Conference. Burma and Cambodia were present as observers.

2/ See Financial Times of 27 February 1970.

3/ See Financial Times of 13 October 1969.

number of consultations and meetings at all levels between natural rubber producing and consuming countries on the one hand, and between natural rubber producing countries and synthetic rubber producing countries on the other, in the hope of finding the required solutions.

436. As a result, the problems are relatively better known now than they were ten years ago, or even three years ago at the time of the great crisis which shook the natural rubber industry because they have been studied more closely.

437. Undoubtedly there still exist considerable gaps in present knowledge of the basic aspects of the world rubber market and the way in which it reacts. 1/ Nevertheless, most of these gaps have now been identified, and in particular one is beginning to know where to seek the necessary solutions.

438. It should also be noted that the producing countries as a whole are showing greater determination than previously to co-operate actively in seeking ways and means of helping them overcome and reduce existing difficulties.

439. Accordingly, some of them, to be precise several Asian producing countries, have set up their own Association: The Association of Natural Rubber Producing Countries. Judging by our information on the subject, however, this Association does not yet seem to have got properly under way. In the meantime problems continue to arise and in certain cases to become more acute.

440. As Africa plays such a small part in world rubber exports compared, for example, to Asia, and as Africa's capacity to influence the rubber market thus seems to be very limited, it might be tempting to adopt an attitude of resignation in the face of the present situation and to come to terms with it.

441. The question which now arises is precisely to ascertain whether the African producing countries are really doomed to total impotence in the face of the present situation - in other words whether collectively, in conjunction or not in conjunction with other producing countries, they are in a position to make any contribution at all to the solution of problems which arise on the world rubber market, particularly problems which directly affect themselves.

B. Proposals for concerted action

442. Several strategies seem possible.

443. 1) The one which appears the most appropriate would be for the African countries, together with other producers, to campaign to conclude an international agreement or arrangement embracing all the natural and synthetic

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1/ See in this connection: International Policies for the World Rubber Market and the Improvement of their Factual Basis. (UNCTAD document TD/B/C.1/SYN/11).

rubber producing countries and the consuming countries, as recommended by the Conference of Natural Rubber Producing Countries. 1/

444. It is indeed probable that only a solution of this type would be likely to bring about a radical solution to the major problem of competition between natural rubber and synthetic rubber by making it possible to plan all rubber production on the basis of the anticipated rate of increase in world demand, everything possible of course being done to ensure that natural rubber retains at least its present share of the market.

445. It is to be expected, however, that such an idea will encounter, in the present state of affairs, a good deal of opposition from several countries. In the event of the producing countries themselves managing to agree on such a solution, they should make a serious study of the ways in which it would be put into practice by the competent international organization concerned, in this case UNCTAD. If the proposal proved technically feasible, the producing countries should bring the necessary pressure to bear to have it implemented.

446. 2) With regard to the fluctuations in natural rubber prices, the producing countries might act in concert and combine their efforts either to have a buffer stock scheme applied or themselves to set up an export quota mechanism. From a technical and practical standpoint, the former solution, i.e. the one involving the establishment of a buffer stock and operating preferably within the framework of the international agreement envisaged above, would probably be easier to put into practice.

447. The latter solution, which would be linked to a system of export quotas in conjunction with control of production, would certainly present many more problems for the producing countries.

448. Contingent on more detailed studies being made on this subject, it is probable that the African countries, whose production potential is being fully developed, would have more to gain at the present stage from the introduction of a buffer stock scheme.

449. On the other hand, most of them would certainly not be able to contribute to the pre-financing of such a scheme. Hence they might combine with other producing countries to encourage the international financing institutions and the rubber trade to finance a very large part of the initial expenditure on such a stock.

1/ See the Joint Communiqué of the Conference of Natural Rubber Producing Countries, held at Kuala Lumpur on 2 - 4 October 1967, contained in the Summary of Proceedings of the Nineteenth Assembly of the International Rubber Study Group.

450. One would only have recourse to the second solution - that involving the establishment of a system of export quotas - if it proved extremely difficult to apply the first solution and if the situation regarding the stability of natural rubber prices became really catastrophic.

451. 3) The African countries concerned should in any case contact the Association of Natural Rubber Producing Countries in order to learn of each other's aims and their projects and to consider, in the light of the information received, the advisability of joining those countries.

452. 4) It would be in the interest of the producing countries to agree on standardization of the different types of natural rubber produced. All the natural rubber produced and sold in accordance with certain technical specifications should actually comply with the same specifications, bear the same name and be packaged and wrapped in the same manner, whatever the country of origin. Such standardization would help reduce production costs and increase the value of natural rubber products, thus improving their competitive position vis-à-vis synthetic rubber products.

453. 5) The producing countries might join forces to establish a joint marketing scheme for their natural rubber products. This would enable them not only to have a direct contact with the consumers, which is not at present the case, but also to be in a better position to face up to the competition of synthetic rubber producers, who are already organized on such a basis.

454. 6) Such organisation would seem to be particularly desirable for the marketing of improved grades of natural rubber because the need for a well-organized after-sales technical service is being increasingly felt. Individual producers, including the largest of them, appear to be experiencing considerable difficulties in setting up such a service. Hence in this connection too, they should co-operate among each other instead of wasting their efforts in unco-ordinated activities.

455. 7) The producing countries might examine the possibility of requesting financial assistance at the same time as international technical assistance with a view to combatting the problems of controlling and improving the quality of natural rubber and to undertaking research work designed to make natural rubber more competitive.

456. 8) Joint overtures by these countries would also be useful in encouraging the developed countries to facilitate access to their markets for improved grades of natural rubbers.

457. 9) The producing countries should also respect the guiding principles formulated with regard to fair marketing practices and strive to make them respected.

458. With regard to the disposal of strategic stockpiles, overtures would appear to have already been made in the past with the authorities of the countries concerned. There are grounds for supposing that they would have greater chances of success if they were made jointly by all the producing countries.

459. 10) With regard to just the African producing countries, they have opportunities for action in the field of research. They would, it seems, be well advised to set up the proposed African natural rubber centre, a project mooted at the meeting held in Lagos by the International Rubber Study Group but not yet followed up.

460. The establishment of such a centre seems to be very necessary in view of the conditions peculiar to Africa and the relatively unco-ordinated efforts being made by various African countries in this field.

CHAPTER VI

IRON ORE [1]

SECTION I. The world iron ore market

A. Production

461. In 1968, world output of iron ore amounted to 629.4 million tons (actual tonnage) or 345.5 million tons (iron content).

462. Between 1960 and 1968 the geographical distribution of iron ore output changed a great deal. In 1960, 55 per cent of world output (actual tonnage) was concentrated in Western Europe and North America. Today these regions together account for only 40 per cent. Eastern Europe (mainly the USSR) supplies some 30 per cent of the production.

463. The other quarter comes from the developing countries: 10 per cent from Latin America, 6 per cent from Africa and 6 per cent from Asia (see Table 1).

464. Iron ore output is mainly consumed in the four major steel-making areas (European Economic Community/United Kingdom, United States, USSR and Japan).

465. Japan produces practically no iron ore, but the other three major consuming areas are also large-scale iron-ore producers. However, in varying degrees their output falls short of their requirements, with the exception of the USSR, which is the world's major iron ore producer.

B. Exports

466. Between 1960 and 1968, world iron ore exports went up from 80,600,000 in 1960 to 153,500,000 tons (iron content) in 1968.

467. As will be seen from Table 2, exports from the developing countries expanded similarly and like world exports almost doubled between 1960 and 1968.

1/ The statistics quoted in this study are taken from an UNCTAD report entitled "Problems of the iron ore market" (TD/B/C.1/IRON ORE/R.2), from an Economic Commission for Europe report entitled "The World market for iron ore" (ST/ECE/STEEL/24).

Table 1: Production of iron ore, 1950 - 1968 a/

	1950	1957	1960	1965	1966	1967	1968
		(million tons, iron content)					
World	114.7	195.3	222.4	307.7	319.8	327.8	345.5
Developing countries	9.4	30.1	46.8	80.4	85.0	88.4	88.4
Algeria	1.4	1.5	1.8	1.6	0.9	1.3	1.6
Brazil	1.4	3.4	6.1	14.1	15.8	17.2	17.0
Chile	1.8	1.8	3.7	7.8	7.8	6.9	7.5
India	1.9	4.8	9.9	14.5	16.4	15.9	17.2
Liberia	-	1.3	1.9	10.3	11.3	11.5	12.2
Malaysia	0.3	1.8	3.3	3.9	3.3	3.0	3.0
Mauritania	-	-	-	3.9	4.7	4.8	4.9
Mexico	0.3	0.6	0.6	1.6	1.5	1.7	1.9
Peru	-	2.1	3.1	4.4	4.7	4.6	4.5
Sierra Leone	0.7	0.8	0.9	1.4	1.3	1.4	1.6
Swaziland	-	-	-	0.5	1.0	1.1	1.2
Venezuela	0.1	9.1	11.9	11.3	11.4	10.9	10.9
Others	1.6	3.8	3.6	5.1	5.0	8.1	4.9
Developed market economy countries	82.1	117.4	115.1	134.9	138.1	138.3	151.3
Australia	1.5	2.4	2.7	4.4	7.4	11.2	14.7
Austria	0.6	1.1	1.1	1.1	1.1	1.1	1.1
Canada	1.8	10.5	10.5	21.8	22.6	23.3	26.7
Federal Republic of Germany	2.8	4.2	4.4	2.9	2.6	2.4	2.2
France	9.8	17.6	20.1	18.1	17.2	15.5	17.3
Japan	0.5	0.7	1.0	1.4	1.4	1.3	1.2
Luxembourg	1.1	1.7	1.7	1.6	1.6	1.6	1.6
Norway	0.2	1.0	1.1	1.7	1.7	2.3	2.6
South Africa	0.7	1.3	2.0	3.8	4.4	5.0	5.2
Sweden	8.3	11.8	13.0	17.6	16.9	17.0	19.7
United Kingdom	3.8	4.6	4.7	4.2	3.7	3.6	3.9
United States	49.3	55.2	47.6	50.6	52.2	48.8	49.9
Others	1.7	5.4	5.3	5.7	5.4	5.3	5.2
Socialist countries of Eastern Europe	23.2	46.7	60.2	92.4	96.7	101.2	105.9
USSR	22.1	44.5	57.3	89.0	93.0	97.6	102.7
Others	1.1	2.2	2.9	3.4	3.7	3.6	3.2

Sources: Reproduced from: Problems of the iron ore market (TD/B/C.1/IRON ORE/R.2/Add.1) which quotes The World Market for Iron Ore (United Nations publication, Sales No.: E.69.II.E.10) (ST/ECE/STEEL/24).

a/ Exoluding the socialist countries of Asia.

Table 2: Exports of iron ore, 1950 - 1968

	1950	1957	1960	1965	1966	1967	1968[a]
	(million tons, iron content)						
World	21.8	64.1	80.6	120.3	124.0	136.5	153.5
Developing countries	6.2	27.8	37.4	59.2	61.9	64.3	70.6
Algeria	1.4	1.5	1.5	1.5	1.0	1.2	1.7
Brazil	0.6	2.7	3.4	8.1	8.4	9.2	9.9
Chile	1.6	1.8	3.2	6.7	6.9	6.1	6.8
India	0.1	2.9	5.3	7.3	8.2	8.1	9.4
Liberia	-	1.4	1.9	9.2	10.1	10.4	11.5
Malaysia	0.3	1.7	3.2	3.8	3.3	3.0	3.3
Mauritania	-	-	-	3.8	4.5	4.7	4.6
Peru	-	2.2	3.1	3.8	4.7	5.2	5.8
Sierra Leone	0.7	0.9	0.9	1.4	1.3	1.4	1.6
Venezuela	-	9.3	11.5	10.0	10.0	9.6	8.9
Others	1.5	3.4	3.4	3.6	3.5	5.4	7.1
Developed market economy countries	13.9	30.9	35.6	47.6	47.5	55.8	64.5
Australia	-	-	-	0.1	1.3	5.9	11.0
Canada	1.0	9.5	9.2	18.8	19.0	21.8	22.3
France	2.4	4.6	8.2	6.5	5.6	5.3	5.5
Norway	0.2	0.8	0.7	0.9	0.9	1.5	1.7
South Africa	-	-	0.2	1.4	1.9	2.7	1.9
Sweden	7.9	10.3	11.8	14.9	13.6	14.2	17.6
United States	1.5	2.6	2.9	4.2	4.7	3.8	3.8
Others	0.9	3.1	2.6	0.8	0.5	0.6	0.7
USSR[b]	1.6	5.4	7.6	13.5	14.6	16.4	18.4

Source: TD/B/C.1/IRON ORE/R.2/Add.1

a/ Partly estimated.

b/ Exports from other socialist countries of Eastern Europe and Asia are negligible.

468. Exports from the USSR increased far more - from 7,600,000 tons in 1960 to 18,400,000 tons in 1968 (iron content). However, unlike the developing countries, 80 per cent of whose production goes for export, the USSR exports only 17 per cent of its output to its Eastern European neighbours (its major clients).

469. Between 1965 and 1968, Australia made its appearance as a major exporter; its sales went up from 0.1 to 11 million tons (iron content). However, Canada remained the world's major exporter, with 22,300,000 tons in 1968.

C. Imports

470. Imports amounted to 149,100,000 tons (iron content) in 1968. As mentioned above, the majority of imports were distributed among the three main consumer regions, which met an increasing proportion of their requirements by importing. Japan, the world's largest importer, expanded its imports almost five times between 1960 and 1968 - from 8,700,000 tons to 42,100,000 (iron content).

471. It is interesting to see that increasingly world imports of iron ore are being made under two quite different systems. The first is the "free market" system under which contracts are concluded between independent buyers and sellers at prices based on comparison between overall supply and demand; this applied to only one-third of world imports in 1968, namely 83 million tons.

472. The other trading system, or rather systems, have little in common with traditional free market practices.

473. Among these arrangements the most interesting are those under which the steel-makers, by acquiring a controlling interest in overseas mines, are able to buy iron ore at a price often lower than would otherwise be the case and which is, moreover, unaffected by the fluctuations of the free market. Thus the output is sold on "captive" markets. In 1968, as will be seen from Table 3, world imports amounting to 77 million tons (actual tonnage) were made on this basis.

474. In 1968, an even larger proportion of world imports (92 million tons) was, however, sold under another system - the long-term contract arrangement which enables steel-makers to ensure continuity of iron ore supply at fixed prices for varying periods. 1/

1/ Long-term contracts concluded by steel-makers, in particular in Japan, with overseas suppliers are often for more than 20 years.

Table 3: Main flows of iron ore exports, by type of relationship between producers and consumers: estimates for 1960 and 1968

Imports into:		From "captive" mines	Under long-term contracts	From "free market" [a]	Total
		(million tons, actual weight)			
United Kingdom and EEC:	1960	28	-	51	78
	1968	32	-	71	103
United States:	1960	32	-	3	35
	1968	43	-	2	45
Japan:	1960	-	15	-	15
	1968	-	66	3	68
Socialist countries of eastern Europe:	1960	-	15	4	19
	1968	-	26	4	30
Other countries:	1960	4	-	3	7
	1968	2	-	5	7
Total	1960	64	30	60	155
	1968	77	92	83	252

Source: TD/B/C.1/IRON ORE/R.2/Add.1

a/ Including "free market" sales by "captive" mines and mines operating under long-term contracts.

SECTION II. Position of the African countries in relation to world iron-ore market

A. Production

475. There are at present several iron ore producers in Africa, including Algeria, Morocco, Tunisia, Angola, Liberia, Mauritania, Sierra Leone, Swaziland and the UAR. The largest are Liberia, Mauritania, Sierra Leone, Algeria and Swaziland.

Table 4: Production of iron ore by major African producing countries a/

	1950	1957	1960	1965	1966	1967	1968
	(million tons iron content)						
Algeria	1.4	1.5	1.8	1.6	0.9	1.3	1.6
Liberia	-	1.3	1.9	10.3	11.3	11.5	12.2
Mauritania	-	-	-	3.9	4.7	4.8	4.9
Sierra Leone	0.7	0.8	0.9	1.4	1.3	1.4	1.6
Swaziland	-	-	-	0.5	1.0	1.1	1.2
Total	2.1	3.6	4.6	17.7	19.2	20.1	21.5

a/ This table is based on the table on world production reproduced above.

476. In 1968 the combined output of the five major African producers represented approximately 24 per cent of the overall output of the developing countries, and only 6 per cent of world output.

B. Exports

477. The major producing countries are also the ones that export most. The African producing countries as a whole export 92 per cent of their output, which is a percentage even higher than that of all the developing countries, namely 82 per cent.

478. Table 5 demonstrates the development of the value of African iron ore exports between 1964 and 1967.

Table 5: Values of iron-ore and concentrates exports from the African countries compared with the value of their overall export earnings and with the value of world exports of iron-ore and concentrates

(Value in Million U.S. dollars)

	1965				1966				1967			
	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports
	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/
Algeria	637.0	11.3	1.8	0.6	621.0	3.5	0.6	0.2	724.0	2.3	0.3	0.1
Angola	200.0	5.1	2.6	0.3	221.0	4.6	2.1	0.3	238.0	5.7	2.4	0.3
Liberia	131.0	96.0	73.3	5.5	146.0	106.3	72.8	6.0	153.0	115.1	75.2	6.2
Mauritania	58.0	53.9	92.9	3.1	69.0	64.1	92.9	3.6	70.0	64.1	91.6	3.4
Morocco	430.0	7.6	1.8	0.4	428.0	6.4	1.5	0.4	424.0	6.9	1.6	0.4
Sierra Leone	89.0	15.3	17.2	0.9	83.0	13.5	16.3	0.8	70.0	12.5	17.9	0.7
Tunisia	120.0	5.8	4.8	0.3	140.0	5.5	3.9	0.3	149.0	4.6	3.1	0.2
Total		195.0		11.2		203.9		11.6		211.2		11.3
World Total		1740.0		100.0		1763.0		100.0		1866.0		100.0

1/ D = B divided by World Total

Source : UNCTAD Secretariat.

479. This shows that Liberia was by far the largest African exporter. Its share of the world market in terms of value was 6.2 per cent, whereas the corresponding figure for Mauritania, the second largest African exporter, was only 3.4 per cent. The combined exports of these two countries accounted for more than 80 per cent of Africa's share in world iron ore exports.

480. African exporters, therefore, are generally small exporters, and African exports still have a relatively modest share of the world market, with a ceiling of approximately 11 per cent since 1965.

C. Outlets for African exports

481. In 1967 and 1968, almost all African exports went to the member countries of OECD, 1/ and Table 6, which shows the distribution of African exports among the member countries of that organization in 1968, is highly representative of their outlet structure.

482. The European member countries of OECD collectively are the largest clients of the African exporters, the value of their African imports being estimated at $268,619,000, compared with a total of $64,041,000 for all three non-European members (Canada, Japan and the United States).

483. The contrast as regards the largest African exporters is particularly marked in the case of Mauritania, which exports to the non-European area of OECD (Japan) only some 10 per cent of the value of its exports to European OECD members. Several African countries, including Morocco, Algeria, Tunisia and the UAR, export only to the European members of the OECD.

D. Importance of iron ore exports to African countries

484. Apart from Mauritania and Liberia, the value of whose iron ore and concentrate exports amounted to 91 per cent and 75.2 per cent respectively of all their 1967 export earnings, most of the African countries and territories in question are dependent to quite a limited degree upon exports of this commodity.

485. However, the value of iron ore and concentrate exports expressed as a percentage of the value of overall exports has hardly increased at all for most of the countries concerned, and in some cases has even decreased during the period under study.

1/ Apart from the OECD countries, the sole markets for African exports were the Eastern European countries, which imported only 0.2 million tons (actual tonnage) from Africa in 1968 (cf. TD/B/C.1/IRON ORE/R.2).

Table 6: Outlets for African exports

1968

(Value in Thousand U.S. dollars)

Imports to / Exports from	Canada	USA	Japan	OECD Europe	EEC					EFTA							Iceland	Ireland	Spain	Greece	Turkey	Yugo-slavia
					Belgium-Luxem.	Nether-lands	Germany	France	Italy	U.K.	Norway	Sweden	Denmark	Austria	Switzer-land	Portugal						
Morocco	-	-	-	5918	-	-	2533	4	-	931	-	-	-	-	-	-	-	-	2450	-	-	-
Algeria	-	-	-	16472	3428	-	515	847	9014	1235	-	-	-	-	-	-	-	-	-	1433	-	-
Tunisia	-	-	-	4961	-	-	-	35	3621	365	-	-	-	-	-	-	-	-	-	940	-	-
Egypt	-	-	-	466	-	-	-	-	466	-	-	-	-	-	-	-	-	-	-	-	-	-
Mauritania	-	-	7961	74093	12205	-	14966	12999	9362	21469	-	-	-	-	-	-	-	-	3092	-	-	-
Sierra Leone	-	-	1191	18698	1042	6346	7714	-	1100	2496	-	-	-	-	-	-	-	-	-	-	-	-
Liberia	549	23389	9311	135121	10142	9033	67028	10540	19865	15922	-	987	-	-	-	-	-	-	-	1604	-	-
Angola	-	-	17692	12890	863	-	10439	508	-	806	-	-	-	-	-	274	-	-	-	-	-	-
Mozambique	-	-	3948	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	549	23389	40103	268619	27680	15379	103195	24933	43428	43224	-	987	-	-	-	274	-	-	5542	3977	-	-

Source : UNCTAD Secretariat.

486. This is probably not without some connection with the fact that the value of African exports has tended to progress less rapidly than that of world exports of the commodity.

SECTION III. Problems and prospects

Decline of iron ore prices

487. For the last few years, one of the most serious problems facing the developing countries, particularly the African ones, has been the decline in iron ore prices. As Table 7 shows, prices have been eroding continuously since 1967.

488. The developing countries, including some African countries, especially Sierra Leone and Algeria, appear to have been harder hit than the others. During the last ten years, the unit value of iron ore exports from all producing countries has shown a clear downward trend, but this is even more marked for the developing than for the developed market-economy countries whose exports include a higher proportion of high grade raw materials.

489. The value of iron ore exports from the developing countries did in fact increase from 1965 to 1968. But the overall movement mainly affected exports from India, Liberia, Mauritania and Peru, 1/ and was apparently to a large extent due to an increase in export tonnage following new mining developments in Liberia and Mauritania. Among the developing countries (see Table 8), two African countries (Algeria and particularly Sierra Leone) were especially affected by the downward trend: the unit value of exports from Algeria went down from 20.9 (dollars per metric ton of iron content) in 1957 to 12.9 in 1968; the corresponding figures for Sierra Leone were 13.1 and 7.6. 2/

490. The factors contributing to the decline in prices probably include the "captive mine" sales policy. The companies owning such mines are all the more inclined to sell extra quantities of iron ore on the free market relatively cheaply because the main objective is not to make a profit on actual sales but to lower the unit cost of raw materials delivered to their own steelworks.

491. Account must also be taken of the fact that the steel industries of many importing countries, following the decartelization measures introduced after the second World War, have, along with the process of integrating their

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1/ The export earnings of Sierra Leone, Chile, Malaysia and Venezuela in fact declined considerably between 1965 and 1968.

2/ See TD/B/C.1/IRON ORE/R.2/Add.1

Table 7: Unit value of iron ore exports, 1957 - 1968

	1957	1960	1965	1966	1967	1968[a/]
	($ per metric ton, iron content)					
World	16.3	15.9	14.5	14.2	13.7	13.3
Developing countries	13.4	13.7	12.5	12.3	11.6	11.3
Algeria	20.9	19.0	16.0	15.0	13.5	12.8
Brazil	17.8	15.8	12.6	11.9	10.4	10.0
Chile	11.7	11.0	11.5	11.4	10.7	10.6
India (including Goa)	13.8	13.0	12.0	11.7	11.7	11.5
Liberia	15.7	17.2	10.5	10.5	11.5	11.0
Malaysia	12.9	14.6	13.8	13.3	13.3	12.7
Mauritania	-	-	14.4	14.3	14.3	13.9
Peru	10.7	10.6	12.3	12.0	12.3	12.0
Sierra Leone	13.1	11.6	10.7	9.9	8.9	7.6
Venezuela	12.3	14.4	13.7	14.2	14.1	13.6
Developed market economy countries	17.7	16.6	15.7	16.0	15.4	14.8
Australia	-	-	17.2	13.8	14.2	14.3
Canada	16.7	17.4	17.8	17.9	19.0	18.0
France	13.3	12.8	11.1	10.7	10.4	9.8
Norway	20.4	17.1	13.4	12.9	12.4	12.4
South Africa	-	15.0	13.1	13.0	12.7	12.8
Sweden	20.0	17.1	14.6	14.6	12.9	12.3
United States	18.8	19.9	19.3	19.4	19.1	18.7
USSR	23.1	23.0	18.6	16.6	16.0	15.8

Source: TD/B/C.1/IRON ORE/B.2/Add.1.

a/ Provisional.

Table 8: Value of exports of iron ore from principal producing countries: 1960, 1965 and 1968

	Exports			Rate of change		Iron ore as proportion of total exports 1968
	1960	1965	1968	1960-65	1965-68	
	($ million)			(per cent per annum)		
Developing countries	513	740	809	7.6	3.0	..
of which:						
Brazil	54	103	105	13.9	0.6	6
Chile	35	76	72	16.7	-2.1	8
India	69	88	115	5.3	9.2	7
Liberia	35	96	127	22.5	9.7	75
Malaysia	46	53	42	2.9	-7.2	4
Mauritania	-	54	64	-	5.9	95
Peru	33	47	69	7.5	13.6	8
Sierra Leone	12	15	12	5.7	-7.0	13
Venezuela	165	138	131	-3.6	-1.7	5
Developed market economies	591	749	952	4.9	8.3	..
of which:						
Australia	-	2	157	..	..	5
Canada	160	334	402	15.8	5.0	3
France	105	72	54	-7.3	-9.1	under 1
Norway	12	12	21	-1.1	20.5	1
South Africa	4	18	24	33.0	10.1	1
Sweden	203	218	216	1.4	-0.3	4
United States	58	81	71	6.9	-4.1	under 1
Socialist countries of eastern Europe						
USSR	175	251	290	7.5	4.9	3
Total	1,279	1,740	2,051	6.3	5.6	..

Source: TD/B/C.1/IRON ORE/R.2/Add.1.

activities, started to concentrate and re-group themselves during the last few years. The result has been a gradual centralization of purchasing decisions, which has no equivalent on the supply side on the free market.

492. Particularly in the developing countries, producers are facing a situation all the more difficult because they can at best count on uncertain price prospects, present opinion being divided on probable trends.

Distortion between iron ore export earnings and investment costs

493. Another serious problem connected with the previous one, has arisen. It stems primarily from the distortion between the general trend in the developing countries' iron ore earnings and the cost of the investments that they have had to make to maintain and develop their output during the last ten years.

494. While, as mentioned above, earnings have declined constantly, the economic costs of investment have risen. The foreign exchange outgoings necessary to purchase capital goods abroad have increased, and in addition investments, notably on infrastructure, which are generally financed by very expensive loans, have hardly ever had good secondary effects on other sectors of the economy in the countries concerned.

495. Moreover, several producing countries, including several African ones, which are handicapped by the low iron content of their ore or by inadequate harbour facilities, or whose deposits are not of optimum size, have been and are still being obliged to make investments to offset these initial drawbacks.

Risk of overproduction

496. The proliferation of investments in new mining developments or increased productivity in existing mines seems to have led to keener competition among producing countries and this has had an unfavourable influence on iron ore prices.

497. The problem is so widespread that one may wonder whether the result has not already been a certain degree of overproduction. In any case this is likely to happen before 1980 if the various plan for increased productivity that have been announced are carried out.

498. A comparison of estimates of possible iron ore import requirements in 1975 and 1980 with the export capacity of each major region would seem to show that, even making allowance for a wide margin of error, this fear is not unfounded. (see Tables 9 and 10).

Table 9: Estimates of possible iron ore import requirements in 1975 and 1980, by regions a/

	1975	1980
	(million tons, iron content)	
Developing countries	11.6 - 14.8	16.7 - 25.3
Africa	0.9 - 1.7	2.7 - 5.9
Asia	4.0 - 4.4	5.0 - 6.4
Latin America	6.7 - 8.7	9.0 - 13.0
Developed market economy countries	137.8 - 158.0	154.4 - 174.4
United States	27.4 - 32.5	29.0 - 33.0
Japan b/	40.0 - 45.5	45.0 - 53.0
Western Europe	68.8 - 78.0	79.2 - 86.3
(of which: EEC/United Kingdom)	(67.4 - 75.8)	(79.2 - 85.8)
Oceania	0.3 - 0.3	0.2 - 0.4
Socialist countries of Eastern Europe	24.0 - 26.0	28.5 - 31.3
Total	173.4 - 198.8	199.6 - 231.0

Source: Table taken from TD/B/C.1/IRON ORE/R.2, which quotes The World Market for Iron Ore (United Nations publication, Sales No.: E.69.II.E.10) (ST/ECE/STEEL/24).

Table 10: Estimates of iron ore export capacity in 1975 and 1980, by regions a/

	1968 (actual exports)	1975	1980
	(million tons, iron content)		
Developing countries	70.6	92.4 - 139.0	94.6 - 154.4
Africa	22.7	33.3 - 36.8	32.3 - 50.6
Asia	15.2	18.2 - 23.1	17.1 - 26.0
Latin America	32.7	40.9 - 79.1	45.2 - 77.8
Developed market economy countries	64.5	62.4 - 72.3	61.1 - 75.0
North America	26.1	28.0 - 31.5	28.2 - 34.5
Japan	-	- - -	- - -
Western Europe	25.5	19.1 - 22.0	17.1 - 18.7
Oceania b/	11.0	14.8 - 18.1	15.5 - 21.3
South Africa	1.9	0.5 - 0.7	0.3 - 0.5
Socialist countries of Eastern Europe	18.4	25.0 - 39.0	25.0 - 44.0
Total	153.5	179.8 - 250.3	180.7 - 273.4

Sources: Taken from TD/B/C.1/IRON ORE/R.2, which quotes The World Market for Iron Ore (United Nations publication, Sales No. E.69.II.E.10) (ST/ECE/STEEL/24).

a/ Excluding the Socialist countries of Asia.

b/ Estimates for Oceania now considered too low.

499. Comparison of the largest estimates of iron ore export capacity with the largest estimates of import requirements shows a difference of some 40,000,000 tons in 1980.

500. Bearing in mind the fact that the figures of forseeable Australian output have been reduced by some 20 million tons, a considerable proportion of which will probably be available for export, there are serious grounds for fearing that overproduction or production capacities surplus to needs will appear by 1980, even allowing for a certain under-estimation of Japanese requirements.

Transport problems

501. One further question is worthy of mention: the paradoxical problem of the progress made in maritime transport. It is generally agreed that larger, better designed ships and more efficient operation, to mention only two factors, have reduced freight rates considerably; but opinions are divided on the advantages derived by importers and exporters.

502. The lowering of freight rates has made a number of producing countries, particularly the African ones, less dependent than before on their nearest markets. However, it is not impossible that because the importing countries now have more diversified sources of supply, their bargaining power with the exporting countries has increased.

503. In addition, the importing countries have apparently been the ones to benefit most from the decline in prices, since they control most of the tonnage available for shipping iron ore.

SECTION IV. International action on iron ore

504. Inter-governmental consultations on iron ore were held at Caracas in September 1968 and at Geneva in February 1969.

505. Brazil, Chile, India, Liberia, Peru and Venezuela were represented at Caracas. Mauritania, which was not, sent a message of support to the participating countries. The same countries, together with Gabon, attended the Geneva consultations which, like the first meeting, studied the problems facing iron ore on the international market, and in particular that of the decline in prices.

506. In March 1968, at its second session, the United Nations Conference on Trade and Development estimated, in resolution 16(II), that the question of iron ore should be examined among other commodities, in order:

(a) to identify the problems faced by the commodity;

(b) to determine the techniques appropriate for dealing with them;

(c) to agree on appropriate remedial measures.

507. Under the same resolution, the Secretary-General of UNCTAD was invited to arrange for any inter-governmental consultations which he might consider necessary to study the problems of the commodity in question.

508. Pursuant to this request, the Secretary-General of UNCTAD invited the Governments of UNCTAD member States particularly interested in the international iron ore trade to meet at Geneva in January 1970 for the purpose of identifying the problems of the iron ore market.

509. The Governments of the following countries were represented at the Ad Hoc Meeting on Iron Ore: Algeria, Australia, Belgium, Brazil, Canada, Chile, Czechoslovakia, Federal Republic of Germany, France, Gabon, India, Italy, Japan, Liberia, Malaysia, Mauritania, Netherlands, Peru, Poland, Romania, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America, Union of Soviet Socialist Republics and Venezuela.

510. As requested, the meeting examined the problems of the international iron ore market as regards investments, maritime freight and prices, without prejudging the trends of any future work in these matters.

511. It was agreed that the Secretary-General of UNCTAD should decide what further studies on iron ore should be made by the Secretariat, having regard to the problems identified and the suggestions made at the Ad Hoc Meeting, and organise any future inter-governmental consultations and/or take any appropriate decisions. 1/

SECTION V. Proposals for concerted action by producing countries

A. Critical examination of international action

512. There has been international action on a fairly large scale on iron ore, unlike several of the commodities covered in this study.

513. Firstly, as mentioned above, a number of developing producing countries, including one African country, decided to meet to study the common problems facing them on the world market. Secondly, the Secretary-General of UNCTAD held inter-governmental consultations, as provided in resolution 16(II) adopted at New Delhi in 1968.

1/ See Report of the Ad Hoc Meeting on Iron Ore (TD/B/C.1/IRON ORE/1).

514. After the first round of consultations it was decided that the Secretary-General of UNCTAD should take any steps that he deemed necessary concerning fresh studies and further inter-governmental consultations.

515. Without prejudging the form of such steps, it may be considered that, in view of the international nature of UNCTAD, any solutions would be in the shape of an arrangement or agreement, informal or otherwise, involving collaboration by all countries and in any case by the principal countries involved in the iron ore trade - producers, exporters and importers.

516. Pending the outcome of any possible steps, and to a certain extent even if these steps have the expected results, there is nothing to prevent consideration of ways in which producers might help each other to overcome or lessen their difficulties.

B. Proposals for concerted action

517. As regards the African countries themselves, the first thing would be for them to meet:

i) To explore possibilities of co-operation with a view to solving their problems and

ii) To agree upon an approach towards present or foreseeable international action on iron ore.

518. 1) Any attempt at developing inter-African co-operation on this issue, and indeed any step towards promoting concerted action with other producing countries, must make allowances for differences in size of output and share in world exports of iron ore, and also for the many different systems under which mines are operated: in some countries they are entirely State-run, in others, in the hands of foreign companies, and in others again they are run under a combined system.

519. In the light of these factors, the African countries might consider collaboration in the following fields:

i) Co-ordination and even after a certain period, unification of research on iron technology and steel manufacture would be advisable.

ii) The producing African countries might give each other technical assistance for training mining staff. Many mines now operate only with the help of numerous foreign employees, whereas possibilities exist for training and assistance in other African countries. If the cost of training and employing qualified staff were lower, several mining companies would be in a better position to face competition from the developed countries in the present buyer's market in iron ore.

iii) Several deposits lying on either side of the frontiers of two countries might be worked in common with resulting economies of scale and infrastructure. Possibilities of this kind exist in West and North Africa, which it should be possible to exploit.

iv) Countries might also group together their tonnages to obtain better transport rates than at present, or even arrange to send them on their own ships.

520. 2) On points, these countries should first of all adopt a definite position on the current international action at UNCTAD level, and examine how and to what extent this action perhaps needs to be given a new impulse or guided in a given direction to make it more suitable for solving existing problems.

521. If their discussions enable the African countries to define a strategy for international action in the widest sense, their first objective should be to bring all the developing countries round to sharing these views, and the second to list the possibilities of internal co-operation with other developing producing countries. The second objective would be all the more important if international action through UNCTAD had not had the expected results.

522. In view of the developing countries relatively modest share in the world iron ore market as producers, exporters and users, such possibilities are limited; but they could be contemplated in several areas:-

i) The concerted staggering of all or a large part of deliveries from the exporting developing countries, which in 1968 amounted to $2,043,000 out of a world total of $3,185,000,000, could have a considerable stabilizing effect on the market, especially since exports from developing countries are concentrated in certain markets.

ii) These countries could greatly influence prices if they could centralize their sales and set up a joint marketing agency. They would have much more authority in dealing with buyers, who, as we have seen, are very well organized and work within a highly centralized system, if they could group their sales and thus form a counter-balance.

iii) As a group, the developing countries would probably be in a better position to convince large exporting countries like Canada and Australia to join them in order to control investments with a view to balancing supply and demand between now and 1980 and enabling the iron ore industry to develop in the best possible conditions in the developing countries in general, particularly in Africa.

iv) All this means that the developing countries themselves must have an agency for co-ordinating their work. This is why it would seem desirable to set up an association of developing countries producing iron ore. The African countries concerned would be called upon to join this and indeed might even take the initiative of suggesting its establishment.

CHAPTER VII

PHOSPHATES 1/

SECTION I. World market position

A. Production

523. Rock phosphate is mostly used for manufacturing phosphate, which serves mainly as fertilizer.

524. Hence there is a close link between world production of rock phosphate and of phosphate-based products, notably phosphate fertilizers.

525. World production of phosphate rock has increased a great deal during the last few years: from some 9.5 million tons in 1955-57 to 23.5 million tons in 1965-67 (phosphorus content). 2/

526. Everything goes to show that it has continued to increase since then. However, expansion has mainly been in the United States, which remains by far the largest producer in the world, and in the Soviet Union.

527. Progress has been slower in the developing countries, and during the same period their share of world production in fact declined from 40.5 per cent to 31 per cent.

528. It is true that since then, reflecting a considerable increase, world production, which rose from 25.47 million to 27.12 million tons (phosphorus content) between 1967 and 1968, output in the developing countries has increased more steadily. If all the plans announced come into effect, it will doubtless reach record heights during the next few years.

B. Exports

529. The international rock phosphate trade covers slightly less than half of the tonnage produced, namely some 47 per cent in 1968.

530. Total world exports averaged 35.3 million tons gross weight during the period 1965-67. As Table 2 shows, the United States has been the major

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1/ The statistics quoted in this study are mostly taken from an UNCTAD report on problems of the commodity (TD/B/C.1/88) and from national sources.

2/ See Table 1.

Table 1: World production of phosphate rock

	1955-57 to 1959-61	1959-61 to 1965-67	1966 to 1967	1967 to 1968	1967	1968
	(Per cent change per annum)				(Million tons P_2O_5)	
Developed market economies						
United States	5.2	10.9	3	3	11.31	11.65
South Africa a/	18.2	26.0	21	13	0.32	0.36
Total b/	5.3	11.1	3	3	11.64	12.02
Developing countries						
Morocco	8.6	5.0	13	-1	3.58	3.55
Islands in the Indian and Pacific Ocean d/	4.3	3.6	-8	20	1.31	1.57
Tunisia	-0.3	6.5	-10	23	0.86	1.06
Togo	c/	75.0	-7	20	0.40	0.48
Senegal	38.0	28.0	12	0	0.47	0.47
Jordan	15.3	17.1	5)		0.36)	
UAR	-0.5	1.2	8)	(34)	0.20)	(1.00)
Israel	18.0	3.9	10)		0.18)	
Algeria	-4.1	-21.9	210	2	0.06	0.06
Other	24.3	-4.9	16	(0)	0.27	(0.27)
Total	6.7	6.1	5	10	7.69	8.46
Socialist countries						
USSR	14.0	15.7	9	9	5.31	5.78
Other	36.7	12.8	0	(3)	0.83	(0.86)
Total	17.3	15.2	8	(8)	6.14	(6.64)
World Total	7.6	10.2	5	6	25.47	27.12

Sources: Institute of Geological Sciences, London, Statistical Summary of the Mineral Industry, 1967 and earlier issues; United States Bureau of Mines Mineral Yearbook, 1968 and earlier issues; also British Sulphur Corporation Ltd., Phosphorus and Potassium: International Superphosphate and Compound Manufacturer's Association Ltd.; National statistical publications.

a/ Including South-West Africa. b/ Including minor amounts produced in Australia, Belgium, France and Spain. c/ Production in Togo began only in 1961.
d/ Christmas, Makatea, Nauru and Ocean Islands.

Table 2: Exports of phosphate rock, 1955 - 1968

	1955	1960	1965	1967	1968	Rate of change 1955-1968
	(thousand tons, actual weight)					(per cent per annum)
World a/	14238	19481	28396	32804	37718	7.8
Developing countries	10944	13240	18042	18876	21574	5.8
Algeria	723	470	..	112	252	-7.8
Israel	..	96	308	427	729	..
Jordan	151	319	605	882	1095	16.5
Morocco	5248	7583	9548	9342	10094	5.2
Senegal	11	59	867	784	1025	42.0
Togo	..	..	812	1020	1357	..
Tunisia	1919	1688	2376	2314	2460	1.9
UAR	421	302	374	504	451	0.5
Islands in the Indian and Pacific Oceans	2360	2586	3006	3338	3991	4.2
Others	111	137	146	153	120	0.6
Developed market economy countries	2304	4314	6780	9328	10976	12.8
United States	2304	4314	6780	9328	10976	12.8
Socialist countries of Eastern Europe	990	1927	3574	4600	5168	13.6
USSR	990	1927	3574	4600	5168	13.6

Source: The International Superphosphate and Compound Manufacturers' Association, Ltd., London, Phosphate Rock Statistics, 1968 and previous issues. Institute of Geological Sciences, London, Statistical Summary of the Mineral Industry, Exports and Imports, 1962-1967 and previous issues.

a/ Excluding Socialist countries of Asia.

exporter of phosphate rock since 1968. The Socialist countries (USSR) have been increasing their share in world exports, whereas the progress of the developing countries as a group has been very moderate.

531. Exports of phosphate fertilizer were mostly from the United States and other developed market economy countries.

C. Imports

532. The most striking feature of the geographical distribution of outlets is the predominant share of the OECD member countries. This has apparently become particularly marked during the last few years because of the high growth rate of the market (13 per cent in 1968) and also because of the developments in other markets during the same period, which have been far less satisfactory.

533. The second fact to be noted which, as might be expected, confirms the already-observed trend of exports in this expanding market, is that the share of the developing countries in general has steadily declined, while the shares of the United States and the USSR, among others have increased.

534. Table 3 demonstrates the considerable differences in the 1965-68 percentage changes in volume and value of imports from the developed market economy countries, mainly the United States and the Socialist countries (USSR), on the one hand and from the developing countries on the other.

535. Phosphate fertilizer is mostly imported from one devoloped marked economy country to another. These countries are in fact the protagonists in the whole marketing chain, both on the buying and the selling sides, and imports from developing countries represent barely 12 per cent of their total imports.

SECTION II. Position of the African countries on the world phosphate market

A. Production

536. The main African phosphate-producing countries are Morocco, Tunisia, Senegal, Algeria, Togo and the United Arab Republic.

537. For several years they have together contributed the largest share of the developing countries' output. Inevitably, therefore, they have been particularly affected by the consolidation or relative decline of the developing countries' share in world output between 1955-1957 and 1965-67.

Table 3: Imports of phosphate rock into OECD countries

	1965 to 1966	1966 to 1967	1967 to 1968	1967	1968
	(Per cent change per annum)			(Million tons actual weight)	
QUANTITY					
Developed market economies	15	8	21	7.29	8.82
Socialist countries	35	47	13	1.49	1.68
Developing countries	-3	1	8	11.24	12.15
of which					
Morocco	-6	3	5	7.62	8.04
Tunisia	-15	1	-10	1.30	1.17
Senegal	15	-19	31	0.70	0.92
Togo	17	1	51	0.87	1.32
Israel	16	-5	28	0.27	0.35
Jordan	-18	121	-47	0.23	0.12
Netherlands Antilles	35	-24	-17	0.12	0.10
Total	4	6	13	20.02	22.65
VALUE a/				($ Million)	
Developed market economies	14	5	21	100.4	121.4
Socialist countries	32	45	10	28.0	30.7
Developing countries	2	-3	6	180.3	191.1
of which					
Morocco	-2	-1	2	121.6	123.9
Tunisia	-10	-3	-11	17.2	15.3
Senegal	21	-20	29	13.5	17.4
Togo	24	-4	46	15.3	22.2
Israel	111	5	30	4.2	5.4
Jordan	-17	113	-40	3.2	1.9
Netherlands Antilles	24	-22	-18	3.6	3.0
Total	7	2	11	309	343

Source: OECD, Foreign Trade, Series C

a/ F.o.b. basis for United States and Canada
C.i.f. basis for other countries.

This share, which was estimated at some 28.10 per cent in 1955-57, went down to 24.5 per cent in 1965-67, and to some 20 per cent in 1968. 1/

538. The lowering of the group's percentage is mainly attributable to Morocco, the largest phosphate producer in Africa and indeed of all the developing countries and Tunisia. In both countries production has made less progress than in the United States during the last few years, while other "non-traditional" African producers were either making their appearance or increasing their tonnage.

539. However, since 1968-69, all the African producers have shown a clear upward trend in production, as a result of the expansion programmes already in progress or announced in various countries.

540. In Morocco, for example, production went up from 10.5 million tons in 1968 to 11.5 million tons in 1969. Phosphate fertilizers and other processed phosphates are at present produced practically only by Morocco and even more by Tunisia, but in relatively small quantities in relation both to their own rock phosphate output and to world production of processed phosphates.

B. Exports

541. World exports averaged some 35 million tons (gross weight) during the years 1965-67. Out of this, the African countries accounted for some 43 per cent which was tantamount, in absolute value, to an increase of over 34 per cent compared with the years 1955-57.

542. During this period, however, the relative share of the African countries in world exports declined considerably compared with the 1955-57 period when it amounted to a little over 56 per cent. It is interesting to note that during the same period the Soviet Union's share rose from 7.9 per cent to 13.5 per cent and that the corresponding figures for the United States were 19 per cent and 26.4 per cent.

543. Reflecting an increase in world exports, the export tonnages of the African countries increased appreciably, rising to 15.32 million tons as against 14.08 million tons in 1967. African exports also rose in terms of value, increasing from $160.29 million to $161 million from one year to the next.

544. However, the African countries did not succeed in maintaining their share of the world market either in volume or in value, for in both cases their share went down from 43 per cent to approximately 40 per cent. There is no better illustration of this development than the fact that in 1968

1/ See Table 1.

Morocco lost to the United States its position as the world's largest exporter.

545. As regards phosphate fertilizer and processed phosphates in general, Morocco, and especially Tunisia, are the only African countries to export quantities of any importance (Table 4).

546. However, in several African countries there are plans in progress or study for a large increase in output and doubtless in exports of processed African phosphates.

Table 4: Development of phosphate rock and phosphate fertilizer exports from Morocco and Tunisia

(Value in U.S. Million dollars)

	Tunisia			Morocco		
	1966	1967	1968	1966	1967	1968
Phosphate rock	25.2	23.9	23.6	105.6	107.8	107.8
Fertilizer	10.7	21.1	20.0	11.6	10.4	11.5
Total	35.9	45.0	43.6	117.2	118.2	119.0
Proportion of fertilizer in relation to overall phosphate production	30	47	46	10	2	10

C. Outlets for African exports

547. In the main, African exports go to the developed market economy countries in general, and in particular to the European member countries of OECD.

548. As Table 5 shows, the latter absorbed some 78 per cent of the African countries' exports in 1968. Adding Japanese imports from the African countries, the corresponding figure for the developed market economy countries in general is 84 per cent. Out of this, imports from Morocco accounted for approximately 68 per cent.

D. Importance of phosphate exports for the African countries

549. The degree to which the various African countries are dependent on phosphate exports varies, as Table 6 shows, in terms of the percentage of earnings from phosphate sales compared with overall available export earnings. The two extreme figures are 38.4 per cent for Togo and 1.2 per cent for Algeria in 1967.

550. With particular reference to the examples of Morocco and Togo, Table 6 also shows that there is no close correlation between the country's degree of dependence thus defined in relation to export earnings and its possible share in world exports of the commodity.

Table 5: Structure of African outlets in 1968 1/

Imports to / Exports from	Eastern European Socialist countries	EEC	United Kingdom	Other Western European countries	Japan	Developing countries	Total
		(Million tons actual weight)					
Algeria	84	10	-	18	-	3	115
Morocco	1054	4062	1074	2562	485	198	9435
Senegal	-	439	144	132	185	20	920
Togo	-	1113	-	61	155	-	1329
Tunisia	605	858	44	386	6	100	1999
United Arab Republic	23	4	-	43	-	151	221
		6496	1262	3202	831		14019

1/ Source: This table is based on another table reproduced in document TD/B/C.1/88.

SECTION III. Problems and prospects

551. For several years, and particularly since 1965, the developing phosphate-producing countries, especially in Africa, have been facing a number of major problems which it is increasingly becoming apparent, are part of a whole.

Table 6: Exports of Phosphates (excluding fertilizers) from African countries

(Value in U.S. Million dollars)

Country	1964				1965				1966				1967				1968			
	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports	Total exports	Exports of the commodity	% of Total exports	% of World exports
	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/	A	B	C = C/A	D 1/	A	B	C = B/A	D 1/	A	B	C = B/A	D 1/
Algeria	727.0	0.2	0.0	0.1	637.0	0.0	0.0	0.0	621.0	0.2	0.0	0.0	724.0	1.2	0.2	0.3				
Morocco	432.0	114.3	26.5	38.3	430.0	109.3	25.4	33.9	428.0	105.7	24.7	29.0	424.0	107.9	25.4	29.0				
Togo	30.0	7.9	26.3	2.6	27.0	8.9	33.0	2.8	36.0	15.3	42.5	4.2	32.0	12.3	38.4	3.3				
Tunisia	127.0	20.8	16.4	7.0	120.0	23.8	19.8	7.4	140.0	25.0	17.9	6.9	149.0	23.9	16.0	6.4				
U.A.R.	537.0	3.1	0.6	1.0	604.0	3.5	0.6	1.0	604.0	3.7	0.6	1.0	566.0	4.9	..	..				
Senegal	123.0	9.6	7.8	3.2	129.0	10.8	8.4	3.4	149.0	10.4	7.0	2.3	137.0	10.4	..	..				
Total 2/		155.9		52.2		156.3		48.5		160.3		44.0		160.6		39.1				
World Total		298.8		100.0		322.3		100.0		364.4		100.0		371.8		100.0				

1/ D = B divided by World Total =

Source : UNCTAD Secretariat.

The threat of overproduction

552. The first problem stems from the increasingly marked imbalance between the growth rate of production capacities and that of the demand for imports of African phosphates in particular.

553. As early as 1965 it was quite clear that there was a surplus of capacities over solvent requirements. Since then, the position has worsened. Many mines all over the world, and in certain African countries in particular, are now operating below production capacity.

554. In 1968, for instance, the United States of America and North Africa together would have been able to produce 13 million tons more than the quantities which were actually produced that year. Between 1966 and 1968, production capacities for ten million tons were installed, mostly in the United States. In 1969, supplementary capacities of some 6,500,000 tons were set up in several developing countries, including 4 million in Morocco.

555. Plans for the coming years have been announced in many countries, and in some are already in progress, designed to increase existing production capacities or even to create them in countries not yet producing phosphates.

556. For instance, under its five-year plan, Morocco should be producing some 18 million tons in 1972, approximately 6,500,000 tons more than in 1969. It hardly needs to be added that if the plans for exploiting deposits in the so-called Spanish Sahara are carried out, they would considerably increase existing production capacities.

557. There is no lack of reserves, which are estimated at some 71,690,000 tons of phosphate rock (9 per cent in North America, 11 per cent in the Soviet Union, 66 per cent in Africa, including 42 per cent in Morocco, and the rest elsewhere).

558. Even if world production increases only at a compound rate of 8.9 per cent as it did between 1957 and 1967 (excluding the production of Mainland China, North Korea and North Vietnam), it could well reach 168 tons gross weight in 1975, whereas consumption according to the most optimistic projections of FAO, would not exceed some 142 million tons.

559. It is not surprising that prices should be rather low in view of the surplus capacities burdening the market and the threat of overproduction in the relatively near future, of which buyers as well as speculators are quite aware.

Downward trend of prices

560. It is generally admitted that the prices indicated for phosphate rock in various specialist publications are not always very representative of market trends. However, an idea of recent market trends can be formed by

looking at the unit values of American exports in FOB terms and in terms of phosphorus content.

1964	1965	1966	1967	1968
(dollars per ton of phospherus content)				
21.3	24.4	25.9	23.3	22.7

561. According to the already quoted UNCTAD report from which this information is taken, these figures are probably well below the mark, since the decline has probably become even more accentuated.

Competition from exporting developed countries

562. The natural consequence of a heavy production capacity surplus and the increasingly marked downward trend in prices has been intensified competition on the world phosphate market.

563. Several African producing countries have pointed out that they are having increasing difficulty in meeting competition from large American exporters and, to a lesser extent, from the USSR, since they are not always able to offer their clients such favourable prices as their rivals.

564. If matters do not change, it may be feared that the position will worsen and that in order to increase or even maintain their share of the market, the African countries may be obliged to lower their prices, bringing them nearer or even below the margin of economic return.

Difficulties of market access

565. One more problem, not unrelated to the ones already dealt with, is worthy of mention. In order to raise the value of their export tonnages, countries like Tunisia have for some years been trying to process their phosphate fertilizer and phosphoric acid output in various ways. These products have the advantage of being cheaper to ship than phosphate rock, and it is understandable that other developing, notably African, countries are also thinking of adopting this policy.

566. Endeavours at developing output and export of these products are, however, facing the import duties levied by certain developed market economy countries.

567. As regards the African phosphate-producing countries, at first sight the problem appears to be of limited scope. Phosphate rock is exempt from import duties in most of the OECD countries, and the EEC, whose members are the African countries' best clients among the OECD countries, levies a 3 per cent ad valorem tax on imports of superphosphates and 12 per cent on phosphoric acid, but does not apply these duties to imports from Morocco

and Tunisia or Senegal and Togo, which are associated with the Common Market.

568. The United States admits imports of phosphate fertilizer duty-free, and levies an ad valorem duty of only 0.5 per cent on imports of phosphoric acid.

569. The United Kingdom levies higher duties on processed phosphates from the principal African producers: 11 per cent on superphosphates and 6.5 per cent on other phosphate fertilizer. However, there is a good chance that as a result of the Kennedy Round these duties will be reduced from 1972 onwards. The slightly higher duties at present levied by Japan on imports of phosphoric acid are due to be abolished at about the same time.

570. On the whole, the African countries are in a relatively comfortable position as regards the tariff barriers facing their products, since they are exempt from duties in their present principal market and the duties are nominally very low in others.

571. However, attention has been drawn for some time to the fact that what matters in duties on processed products is the tariff burden on the value added, which then makes the nominal duty much heavier. The effective rate can thus constitute an almost insurmountable obstacle to countries with increasingly closely-calculated cost prices, which have not yet acquired the full technological mastery necessary for manufacturing such highly elaborate goods.

SECTION IV. International action on phosphates

572. Unlike most of the commodities studied in this report, phosphates have not till now been the subject of what might be called large-scale international action.

573. It was only at the second session of the United Nations Conference on Trade and Development that the international community gave some official attention to this commodity.

574. Phosphates are in fact on the list of commodities for which the Conference recommended an international programme of action under resolution 16(II). The Conference agreed that it was necessary to give prompt consideration to phosphates, among other commodities "as a basis for appropriate action, and that to this effect intergovernmental consultations might appear necessary, in accordance with the following procedures, in order:-

(a) To identify the problems faced by the commodity;

(b) To determine the techniques appropriate for dealing with them;

(c) To agree on appropriate remedial measures".

575. The Conference also requested the Secretary-General of UNCTAD, in the case of commodities not covered by international bodies, "to make such studies as may be appropriate in co-operation with the competent international institutions and to arrange, after consulting with the interested member Governments, the inter-governmental consultations he may consider necessary...".

576. In pursuance of this resolution, the UNCTAD secretariat has just issued a report on the problems of phosphates, which has been widely drawn upon for this study. The report which will be submitted to the Committee on Commodities, indicates that the Secretary-General of UNCTAD will take account of the Committee's forthcoming discussions in reaching appropriate decisions on the nature and timing of any further consideration of the problems of phosphates within UNCTAD.

577. In a Declaration on the world food problem, the second session of the Conference urged developing countries, inter alia:

"to strengthen measures for improving the availability of key agricultural requisites, including fertilizers...."

and urged developed countries:

"to continue and to strengthen their aid to developing countries making efforts to increase food production and modernise the agricultural sector and for this purpose to give more emphasis, in response to requests of these developing countries, to increasing the assistance by providing agricultural requisites, especially fertilizers...."

SECTION V. Proposals for concerted action by producing countries

A. Critical examination of international action on phosphates

578. Evaluation of international action on phosphates is very quickly done, since there has been practically no action since the second session of the United Nations Conference on Trade and Development.

579. As we have already mentioned, the UNCTAD secretariat has just published a report on the problems of phosphates, which is to be submitted to the next meeting of the Committee on Commodities. The report indicates that the Secretary-General of UNCTAD will take appropriate decisions concerning the nature and timing of further examination of the problems of phosphates within UNCTAD, taking particular account of any discussions on the report by the Committee on Commodities.

580. As an examination of the world phosphate market and the problems of this commodity has shown, considerable difficulties already exist. Even greater ones are in prospect from which a number of developing phosphate-producing

countries, especially some African ones, will probably suffer, for the latter form the largest contingent of this group of countries.

581. What steps could the African countries directly concerned (Morocco, Algeria, Tunisia, Senegal, Togo and United Arab Republic) together take to solve their problems, either within the United Nations or outside?

B. Proposals for concerted action

582.1) The first possibility open to these countries, following examination of the UNCTAD document and in the light of the forthcoming discussions in the Committee on Commodities, is to request the Secretary-General of UNCTAD "to arrange.... the inter-governmental consultations he may consider necessary to examine these commodities", as laid down in resolution 16(II) adopted at New Delhi.

583. The African countries could do this either by means of a collective letter to the Secretary-General or by an intervention by one country on behalf of them all at the Xth session of the Trade and Development Board, if for any reason this had not previously been done at the 5th session of the Committee on Commodities.

584. The proposed consultations, if held, would provide probably the first opportunity for a meeting between Governments and trade in countries concerned with the production, export and import of phosphate rock, phosphate fertilizer and other phosphate products.

585. If it were decided to adopt the precedent set by the meeting of countries concerned with the iron ore trade which took place some months ago within the context of consultations similar to those proposed for phosphates, the first round would probably consist of a far-ranging discussion on the problems of the world phosphate industry, on the basis of the study prepared by the UNCTAD secretariat or any further studies that may be requested.

586. It would of course be for this meeting to decide, following the discussion, upon the practical steps to be taken towards finding solutions to the problems involved.

587. 2) Another possibility for concerted action, which might be considered if action within the United Nations did not have the expected results, would be for the African phosphate rock producing and exporting countries to convene a conference of countries producing and exporting this commodity.

588. This conference would be attended by all the developing countries that produce and export phosphate rock, and the United States and the USSR which, as we have seen, play an extremely important part in the world market, especially the former.

589. This conference might set up a world association of phosphate producers and exporters with the following objectives:

i) Planning and co-ordination of investment

590. The producing countries would have to agree on planning the investments contemplated by some of them, which would, as we have already mentioned, lead to an excessive increase in production capacities, if made.

591. This means that they would have to start by reaching agreement on a desirable growth rate for production, making allowance to an extent to be determined, for foreseeable increase in demand and for the price level they desire to reach.

ii) Market sharing

592. If these countries consider that the situation is serious enough to justify such a step, they would have to end their unrestrained competition, and in particular the competition to which the African countries are subjected by the large developed phosphate-exporting countries, and to agree upon distributing outlets or at least upon distributing the rates of increase in demand by the various markets. The introduction of a quota system for exports from member countries might also be necessary. This move would have to take full account of the desirability of giving the developing producing countries, particularly the African ones, priority in developing their output and exports of phosphate and phosphate products.

iii) Improvement access to the markets of the developed countries

593. As we have already mentioned, most of the developed market economy countries at present admit phosphate rock imports duty free. Phosphate-based products, notably fertilizers, from almost all 1/ the African countries, including Morocco and Tunisia which actually export them, are exempt from duty on the EEC market.

594. The African countries might ask for the same treatment in other important markets in the developed countries, or at least that the effective rate of duty applied in some of these countries to phosphate-based products be reduced as a priority for the developing countries, thus enabling them to strengthen their competitive position vis-a-vis the large exporting countries. Similarly, the Socialist countries might be requested to increase their imports of these products from the developing countries.

1/ The only African country without such facilities appears to be the United Arab Republic.

iv) Development of sales under potential conditions to the developing countries

595. It is surely not natural, as some have already pointed out, that only 15 per cent of the world's fertilizer should be used in areas whose agriculture must feed half the world's people 1/ most of which areas are in developing countries.

596. There is, we know, a large potential demand, notably in non-phosphate-producing African countries, which has been unable to materialise mainly because of a shortage of foreign exchange. The producing countries should as far as possible try to satisfy this demand much more actively than hitherto.

597. Phosphate and fertilizer sales could be increased in these markets, and a large part of the anticipated surpluses could thus be re-absorbed if, for a proportion of their exports to be determined, the producing countries, including the developing ones, decided to explore all possibilities offered by barter, to combined barter and foreign exchange systems, and special prices, i.e. prices lower than those prevailing on the traditional markets of the developed countries.

598. The second strategy would mean that all or at least the most important phosphate producing and exporting countries were prepared to join forces to defend their interests. In particular it would imply that the two large developed exporting countries, the USSR and especially the United States, agree to become members of the proposed association, or if not, that they should agree to support in one way or another the endeavours of the developing exporting countries.

599. This might, of course, not be the case. The latter's bargaining powers notably on prices, would certainly be considerably affected, especially if the participation or support of the United States, the world's largest producer, were not forthcoming.

600. 3) However, an association of the developing phosphate-exporting countries which was not supported in one way or another by the developed exporting countries would not be entirely without possibilities of action.

601. Planning and co-ordination of investments in the phosphate-exporting developing countries could have a considerable impact on the market, especially since most of the expansion projects at present known are for these countries.

602. Similarly, sharing the markets between them might be useful, if only in the interest of ending competition.

1/ This observation, reproduced in document TD/B/C.1/88, is from a report by the Advisory Committee of the President of the United States, entitled "The World's Food Problem".

603. Concerted action by these countries, if successful and especially if suitable methods of persuasion are adopted, might well lead to a certain improvement in conditions of access to the markets of the developed countries, at least where these are unsatisfactory.

604. Finally, nothing should stop the exporting developing countries from encouraging preferential sales to other developing, notably African, countries, on the conditions outlined above.

ANNEX

SUMMARY OF THE PROPOSALS MADE IN THE STUDY

I. CITRUS FRUITS

A. Establishment of a Maghreb Citrus Committee to enable the people in charge of marketing citrus fruit in the countries concerned to meet and formulate a strategy for solving the problems involved.

B. Under the first strategy, the three North African countries, perhaps aided by other producing countries, would take steps to convene a special session of the Study Group on Citrus Fruits, under the joint auspices of the Secretary-General of UNCTAD and the Director-General of FAO.

This special session might establish an Inter-governmental Advisory Committee on Citrus fruits which would be responsible for:

(a) identifying specific problems calling for short, medium and long-term solution;

(b) formulating recommendations on possible solutions to these problems without dismissing a priori the possibility of a standard or informal agreement.

C. Under the second strategy, the Maghereb countries would join together with as many as possible of their Mediterranean competitors on Western European markets, and in particular with Spain. These countries, with or without having first ensured the benevolent neutrality or even the outright support of the importing countries, might reach agreement on:

a) fixing a floor price for sales at the beginning of each season;

b) co-ordinating marketing and sales policies on the various markets so as to avoid dumping price sales of products of different origin;

c) fixing a target price for 1974/75, when according to FAO projections, there will be a production surplus of 4,500,000 tons;

d) planning production expansion on the basis of a growth rate as close as possible to the forecast consumption rate in the chief export markets and in accordance with the target price;

e) launching a generic promotion campaign for citrus fruits, financed partly by the exporting countries and partly by the trade;

f) obtaining the abolition or gradual elimination of the domestic taxes hampering expansion of citrus consumption in several countries, and the particularly high taxes on citrus juice.

D. Adoption of the third strategy would mean that nothing could be done on as wide and international front as the one contemplated in the context of the first two, or that for one reason or another the latter did not find favour with the countries concerned. In this case, the following action might be taken jointly by the Maghreb countries;

a) a campaign centred round promotion of "North African oranges" might be launched;

b) each country might specialize in accordance with its ability to supply the various markets;

c) the three countries' production might be planned on the basis of the varieties most profitably grown and exported by each of them;

d) agronomic and scientific research on citrus fruits might be co-ordinated, with a view to establishing a joint research unit;

e) storage facilities available in the major ports might be used jointly;

f) export supplies might be staggered under a concerted schedule;

g) a joint agency for sales, distribution and promotion abroad might be set up after an agreed period.

h) the countries of tropical Africa might be contacted with a view to enquiring into the possibilities of selling them citrus fruits against the purchase of products such as bananas and dried vegetables.

II. COFFEE

A. As regards the discrepancy between the African countries' production potential and the basic export quotas allocated to them, it is proposed that between now and 1971, when the present Agreement is to be re-negotiated, a file on the matter should be started by the Inter-African Coffee Organization and the Afro-Malagasy Coffee Organization, in order :

a) to study all aspects of the question, including the possible effects of a quota readjustment on the world market and on African coffee prices;

b) to formulate international tactics for achieving this aim.

B. The African countries might agree to launch a promotion campaign geared to the varieties produced in Africa, without distinction of origin.

C. Co-ordination of coffee research and technical co-operation between the African bodies responsible for that research might be intensified, especially between countries which cultivate the same varieties.

D. African countries might reach agreement with other exporting countries with a view to adopting a concerted policy with regard to the so-called new markets, notably concerning the prices at which coffee should be sold on these markets and the establishment of the infrastructure necessary for coffee processing, promotion and marketing.

E. These countries might also examine the possibility of making the necessary contacts to set up an inter-group of all exporting countries within the International Coffee Organization.

III. COCOA

In examining the possibilities for concerted action by producing countries, two major possibilities were examined, according to whether or not it is assumed that an international agreement will be concluded.

A. On the first assumption, the possibilities of concerted action would be as follows:

a) the Cocoa Producers' Alliance should be permanently represented on the future International Cocoa Council. The tasks of this delegation would include on-the-spot supervision of the implementation of the agreement and the provision of a framework for co-ordinating member countries' action on questions concerning its operation;

b) the Alliance should be fully responsible for co-ordinating technical and scientific research on cocoa by member countries. The Alliance's Sub-Committee on Scientific Research and Extension Services would have to become fully operative if this is to be done;

c) the delegation might also take an active part in studying problems, and particularly in co-ordinating individual attempts to reach standardization and a standard definition of the criteria of quality and quality-control of member States' cocoa products;

d) the Alliance might also promote cocoa consumption in member States themselves and in the rest of the world. It should also urge the International Cocoa Council to launch a generic cocoa promotion campaign along the lines of the World Coffee Promotion campaign.

e) the Alliance countries should closely co-ordinate their marketing policies and establish a common scale for deliveries to the world market, to maintain the product price at a given level within the price range specified in the agreement;

f) member countries might agree on a model contract form for all their cocoa sales abroad;

g) it would be advisable for the Alliance to try to recruit new members with a view to wider representation and increased bargaining power.

B. If the international agréement fails to materialize, the Alliance countries might explore the following strategies based on various possible circumstances:

a) If the agreement cannot be signed because of opposition on the part of a major importing country the Alliance countries might explore the possibility of concluding such an agreement;

b) If several major importers find themselves unable to agree to it, the Alliance members might suggest adoption of an informal agreement;

c) If either of these possibilities should meet with insurmountable difficulties, the countries concerned might consider the possibility of operating a stabilization agreement based on floor and ceiling prices and a system of sales quotas.

IV. GROUNDNUTS

There are two possible strategies:

1) The African countries might choose to continue their efforts to conclude an international arrangements on oilseeds and hence on groundnuts. For this, they would have to co-ordinate their positions much more closely than they have done hitherto, so as to convince the developed countries for the need for an agreement of this kind.

2) They themselves could also help to solve, some of the present problems partially or wholly.

a) The Council might set up a Sales Commission responsible for defining the sales policy to be followed by all member countries, including fixing the minimum and maximum sales price ranges;

b) To carry out this policy, the African Groundnut Council would have to set up a "Joint Sales Bureau";

c) implementation of this policy would mean that, inter alia, the Council would have to have the necessary funds in addition to national contributions to finance the stocking of member States' groundnut production, this assistance might be requested jointly from the appropriate international institutions;

d) to strengthen the bargaining power of the Joint Sales Bureau with purchasers, it would be to the interest of the Council to recruit new members from other groundnut-producing countries in Africa and in the rest of the developing world;

e) contacts might also be made with African countries producing other oilseeds and the possibility of converting itself into an African Oilseed Council at a later stage might be considered;

f) it would also be useful to make contacts with non-African producers of oilseeds, notably the Asian Coconut Community;

g) member countries might take concerted action to do away with or reduce non-tariff barriers hampering expansion of their exports on certain markets, beginning with these that apply restrictive policies to all member countries;

h) establishment of a Research Institute attached to the African Groundnut Council would also be useful.

V. RUBBER

The African countries concerned might contact other natural rubber producers, particularly the Association of Natural Rubber Producing Countries, with a view to learning of their aims and projects and, on the basis of this information, consider the advisability of joining them. Above all, they should try to formulate a common strategy in conjunction with the Asian countries.

Several strategies, at different levels, were examined:

A. At the widest international level, the African countries concerned, in agreement with the other natural rubber producers, might campaign for an agreement or an international arrangement to which all natural and synthetic rubber producing countries and consumers, would be parties.

This agreement might provide for the establishment of a buffer stock, or, if this proved difficulty, an export quota system.

B. Other objectives might be pursued in common by African and other producing countries. These would differ in scope from the former, since implementation would depend upon their own activities to a much greater extent.

1) It would be to the interest of producing countries to agree on standardizing the various kinds of natural rubber products, of whatever origin, to make them correspond to the same technical specifications;

2) The producing countries might join forces with a view to setting up a joint marketing scheme for their natural rubber output, particularly as regards marketing improved grades of natural rubber;

3) They might examine the possibility of jointly requesting financial aid and international technical assistance to enable them to face the problems of supervizing and improving the quality of natural rubber and of starting up research designed to increase the competitivity of natural rubber;

4) Steps taken jointly by these countries might also be useful in encouraging the developed countries to open up their markets to improved grades of natural rubber;

5) The producing countries should promise to comply with the guiding principles formulated on natural rubber marketing, and to see that they are complied with.

C. As for possibilities of concerted action by the African countries alone, they would be well advised to set up the proposed African Natural Rubber Research Centre.

VI. IRON ORE

The African countries concerned might meet in order:

1) To explore the possibilities of co-operating with each other to solve the problems with which they are faced;

2) To agree upon an approach towards present or foreseeable international action on iron ore.

A. Purely African co-operation might be contemplated in the following fields:

1) Co-ordination and even after a certain period unification of research on iron-ore technology and steel manufacture would be advisable;

2) African producing countries might give each other technical assistance in training mining staff;

3) Deposits lying on either side of two countries' frontiers might be worked in common, with resulting economies of scale and infrastructure;

4) Countries might also group their tonnages to obtain better transport rates, or even pool their own transport capacities.

B. Possibilities of co-operation with other producing countries might be of two kinds:

1) The African countries should first unify their views and then compare them with those of the other producing developing countries on the approach to be adopted to the present international action at UNCTAD level;

2) The producing countries should also explore the possibilities of co-operation mainly dependent on their own efforts:

a) Concerted staggering of deliveries from the developing exporting countries to certain markets where they are usually concentrated might have a considerable stabilizing effect on iron ore prices;

b) Centralizing sales and setting up a joint marketing agency might also be considered;

c) As a group, the developing countries would be in a better position to convince large developed exporting countries to join them in order to control investments with a view to balancing supply and demand, and at the same time safeguarding the possibilities of expanding the iron ore industry in the developing, particularly African countries as a priority;

d) This would mean that the producing developing countries must set up an agency for co-ordinating their work in the form of an association of developing countries producing iron ore.

VII. PHOSPHATES

1) The first possibility open to the African countries is to request the Secretary-General of UNCTAD to hold the inter-governmental consultations provided for in resolution 16(II) among all the countries concerned with the phosphate trade;

2) Another possibility that might be contemplated if especially the first strategy were to fail would be for the African countries to take steps to convene a conference of countries producing and exporting phosphate rock, including the developed exporter countries. This conference might set up a world association of phosphate producers and exporters with the following objectives:

a) planning and co-ordination of phosphate investments on the basis of agreed prices;

b) market sharing;

c) improvement of access to the markets of the developed countries;

d) development of sales under preferential conditions to the developing countries.

3) If the association were not supported by one or both of the two major developed exporter countries, its possibilities of action would be considerably restricted, notably on prices. However, it might still try to achieve, on a limited scale, a considerable number of the targets listed.