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F.A.O.—THE TASK.

By

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(This is the last of three articles dealing with the Food and Agriculture Organisation of the United Nations.)

At the conclusion of the first article of this series (see "Review of Marketing and Agricultural Economics," October, 1947) it was stated that the task of F.A.O. is the planning of world production and distribution in order that nutritional standards may be raised to some approximation of the scientific estimates of requirements. In this brief statement may be found the essential reason for the existence of F.A.O. Attention has been paid to the extent of food shortages, both before the recent War and since that time, whilst the structure of F.A.O. has also been examined. It remains for consideration to be given to a closer examination of the precise task with which F.A.O. is confronted.

The Task In Brief.

It is generally agreed that the agricultural and industrial development of under-developed countries is absolutely essential in the interests of an improved stabilised world economy. Going back to the period during which the nations were engaged in the first World War, it was found that production was very considerably expanded. After the cessation of hostilities, this expanded production was maintained for a few years while the world was re-equipping, restocking and repairing the devastation of war. However, the stage was reached at which the production which had been stimulated by war exhausted the available purchasing power and all countries tried to dispose of exportable surpluses in any market. Attempts were made to protect national economies against the flow of goods which other countries were exporting. The climax came in the world economic crisis of 1929-33.

In 1933 the World Monetary and Economic Conference met in London and decided that restriction of production was the best solution to the world's economic problems, but, in the event the policy of restriction proved to be a sad failure.

A similar position obtains at the present time. The world has seen an enormous expansion of production as a result of World War II and, for the American Continent alone, industrial production has increased by more than 100 per cent. in volume over the pre-war figure, and agricultural production by 30 per cent. This increased production is being absorbed at the present time in a similar manner to that which occurred after the First World War. In the present instance it seems likely that the period of recovery will be longer than on the previous occasion, but even so it is difficult to see how the world can avoid a return to the situation of production surpluses within a few years. The principal problem is that of the availability of the purchasing power necessary to absorb this increased production after the period of restoration is complete. If we are to experience another economic crisis, then it is probable that its effects will be even worse than that of 1929-33. The United States has estimated that its own unemployment would reach 25 to 30 millions.

The importance of these facts to the world at large and F.A.O. in particular is that from both the humanitarian and economic points of view the development of the less advanced countries of the world is vitally necessary. Even the advanced nations may find it necessary to continue the policy of full employment as a national necessity. To meet the task of co-ordinating plans for long-range economic stability, F.A.O. has the particularly significant function of rationalising trends in primary production. F.A.O. and other world agencies must be made effective by having defined and practical tasks handed to them and, as Lord Bruce recently pointed out, their Executive must not be over-burdened with an enormous load of resolution and recommendations made at yearly conferences, but must be allowed to select the most vital tasks which can reasonably be accomplished.

Production.

Details of general production trends were given in the first article of this series. Recapitulating the position in general, total world production of food and agricultural products recovered somewhat in 1946-47 from the very low levels of 1945-46. General recovery of production in the devastated areas following World War II has been much slower than recovery after World I. The devastation of the recent War was experienced over the whole of Europe and a large proportion of the highly-productive plains of Western Russia, and also in the Far East. Furthermore, the great financial losses, the wide political and social changes, with the accompanying disorganisation in important producing countries, led to a breakdown in food and agricultural production and distribution far more serious than following World War I.

More than two years after the end of the War, some countries which had previously been self-sufficient as far as food was concerned, and were able to maintain population at reasonable nutritional levels, now subsist on the barest minimum of human requirements. This fact is centrally important and is the explanation for the nations' inability to make rapid and advanced recovery. Both short-term and long-term production policies have been formulated. Most of the short-term programmes are for areas facing emergency food situations. These short-run programmes in Europe and the Far East have included the use of subsidies and incentives such as rewards in kind of fertilisers, pesticides, etc., in return for increased production. In the exporting countries, short-run programmes have been directed at increases in the production of special commodities in short supply. The long-range programmes in most parts of the world have much in common and include schemes of irrigation, drainage, clearing and the expansion of rural settlement.

World Demand for Food.

The demand for food in the long run depends upon the availability of purchasing power. Since the value of purchasing power depends upon how much may be bought with it, the supply and price situation of manufactured goods is also important. Therefore, looking at the world demand situation, quantities of both money and goods are significant. The incomes and, therefore, the purchasing power of consumers, seem likely to continue to rise in

most parts of the world and the prices of most primary products are expected to remain high. An expansion in industrial output would increase the goods that farmers could obtain in return for their production.

But what of the international position. Backward and war-damaged countries cannot yet pay for all of their needs by current exports. A large and increasing proportion of imports have to be paid for by loans, grants, and the selling of foreign assets. These sources of purchasing power are rapidly becoming exhausted and, unless new large credits are made available, the export demand for foodstuffs is expected to commence falling by 1948. In 1946, 85 per cent of food exports came from undamaged countries and 60 per cent. of food imports went to the damaged countries. To pay their large deficits in trade in 1946 these nations had an aggregate of 10,000,000,000 dollars, which was covered in the following manner:—

4¼ billions from loans and credits;
3¼ billions from U.N.R.R.A. relief and other grants;
2½ billions from the sale of gold and the liquidation of foreign assets.

Even some countries with export surpluses had difficulty in obtaining dollar exchange because their exports went to countries which were unable to pay immediately in goods, gold, dollars or other convertible currencies. Such countries had to turn primarily to America for supplies and bought much more from that country than they sold in return. Trade deficits in dollars with the Americas were the result. For example, Canada, which had a large surplus, had a deficit of 560,000,000 dollars in merchandise trade with the United States. Current foreign trade has therefore been influenced extensively by the pressing import needs of damaged countries and the increased productive capacity of the undamaged industrially-developed nations. Purchasing power is also restricted by the ability and willingness of the needy countries to liquidate assets or to obtain loans and grants. With the United States providing much of the net exports, trade deficits mean the paying out of scarce American dollars.

In 1947 the export demand position has worsened. In spite of a continued improvement in the production and export of damaged countries, the gap between the value of their imports and exports is widening and other means of payments are being heavily drawn upon. Dollar shortages are becoming more acute and dollar balances are being reduced to record low levels. For the first quarter of 1947, American exports increased to an annual rate of 19.6 billion dollars, while imports rose only slightly to 7.6 billions. American imports, therefore, cover only 38 per cent. of exports and America is covering a trade deficit at the annual rate of 12 billion dollars for needy nations, mainly European. Existing external assets and unexpended loans and grants seem sufficient to continue the present flow of world trade to the end of this year, although the use of these means of payment is limited by the necessity to keep liquid asset reserves to support internal trade policies. Besides existing credits there are other sources of potential lending—the American Export-Import Bank, the International

Monetary Fund and the International Bank for Reconstruction and Development. However, the future of these institutions as lending authorities has still not yet been made clear and it seems that, unless additional loans are made directly by the United States, payment for imports from credit sources may drop even below the present level. Imports based on grants are also expected to drop sharply. U.N.R.R.A. is no longer available as a stabilising factor. It appears probable that the rate of exports from the major suppliers will begin to drop in 1948 as the means of payment become exhausted.

The Task of F.A.O.

The approach to problems of international trade depends, as in the case of all other questions, upon the point of view of the observer. A national Government may see international trade as a situation in which the advantages of that single Government should be pushed to their utmost, irrespective of the welfare of other nations. Generally, there is some rapprochement between extremes of self-interest but the basic motive is still one of individual success. In contrast with such an attitude, F.A.O. looks at international trade as the movement of the supplies of food and agricultural production, together with the related activities of movements of industrial production. This is essentially a supranational humanitarian approach. F.A.O. is concerned with the dynamics of world economic geography in which there is a number of very mobile factors. It is essential that these variables should be examined in the light of their action upon one another to secure a clear idea of the task with which F.A.O. is confronted.

It has been said that F.A.O. is concerned with trends in international trade. This is not in itself sufficiently basic. The true background to all of F.A.O.'s work is found in the study of comparative nutritional standards throughout the world. Briefly, recapitulating what was pointed out in the first article of this series, it may be said that in many countries the nutritional level is below that existing in 1939. Let us begin from this point. In 1939 very many countries were existing at a level of subsistence substantially below the minimum standards of human requirements. The net effect of the recent War has been for even those subsistence standards to be lowered still further, so that to bring nutritional levels back even to the 1939 level would require drastic international action to stimulate world production of foodstuffs. Immediate success in such a project cannot reasonably be expected in the light of existing circumstances. Looking to the future, it seems reasonable to expect that the 1939 standards might indeed be reached if world population were to remain stationary. But a conservative estimate puts the increase in world population at from 15,000,000 to 20,000,000 people each year. This sets a cumulative problem. Not only has sufficient production to come forward to raise standards of the present world population to the 1939 level, but there must be a sufficient cumulative increase in production to account for the rise in world population. And here the central fact must again be repeated, namely, that even to reach the 1939 levels of consumption is not sufficient. (Tables were given to indicate the extent of chronic malnutrition in many countries,

particularly those of South-East Asia, in the pre-war period.) F.A.O. has chosen to take upon itself the burden of working for the raising of living standards far and beyond the 1939 level to a reasonable standard of basic human requirements.

It has been said that even to maintain the existing standards of nutritional intake in 1947, drastic action will be necessary. The minimum import needs for Europe, North Africa and Asia in 1947-48 have been estimated at 34,000,000 to 38,000,000 tons without allowing for any improvement in the bread ration, any additional livestock feeding, or any increase in working reserves. To meet this need the supplies of grain available for export from surplus countries have been estimated tentatively at 30,000,000 to 34,000,000 tons. Small increases in the supplies of certain other foods, particularly potatoes, sugar and fats, will do little to improve the position. Furthermore, it cannot be over-emphasised that every delay in improving the position impairs further the working capacity of the world's labour force, hinders reconstruction, adds to the enormous physical consequences of prolonged under-nourishment and accelerates social unrest.

On to this background of nutritional standards, and the extent by which nations fall below the standards, it is now possible to fix movements in production, demand and distribution. We face a situation of scarcity, but not merely of foodstuffs. Lumber and other forest products, textiles, seeds, fertilisers, farm equipment, etc., will all continue to be in short supply throughout most of Europe and Asia during 1948 and subsequent years. World production of food can reasonably be expected to increase after the present stage of extreme shortages. Europe will have substantial contributions to make to the betterment of the present position but, in Asia, no immediate improvement can be expected. A basic difficulty in Asia is the over-crowding of the land. Agricultural modernisation is needed to increase the output per acre and alternative employment must be provided for millions who will not be required on the land if agriculture is to be improved. But even with modernised production, Asiatic countries would still need large food imports to obtain adequate diets. F.A.O. considers that the two safety valves for relieving the growing pressure of the world population on the food supply are Latin America and Africa. As is pointed out, both continents are sparsely populated and have enormous undeveloped or partly developed land resources. Food far in excess of their own needs could be produced in these regions and it is one of F.A.O.'s primary tasks to explore this position. As far as production is concerned, therefore, long-range increases may reasonably be expected.

The situation of world demand for foodstuffs has been briefly outlined above. It was pointed out that a grave immediate danger is that of a shortage of foreign exchange on the part of many nations with which to pay for food imports. Other fears have been raised, namely, that demand will be smaller when the period of reconstruction is over, and again that synthetics may prove a serious danger to farm products. In such an atmosphere of uncertainty and anxiety in relation to international trade in foodstuffs, all-out efforts to expand production are necessarily handicapped. This fear of surpluses, of a situation of over-supply, has

been the subject of comments by Sir John Boyd Orr, Director-General of F.A.O., and Lord Bruce, Chairman of the World Food Council. Both agree that the pre-war situation of unsaleable surpluses may again be a serious problem in post-war distribution. It seems necessary, therefore, that any international programmes for full production must include some assurance of expanding markets and of reasonable prices if governments, business firms and farmers are to co-operate in carrying out a concerted programme.

It is the task of F.A.O. to set before itself standards of human requirements of food and to plan the targets of production which are to be reached if the supply of food is to be sufficient to meet the standard required. This stimuation of production will necessarily need to be accompanied by action in the monetary field to ensure that nations importing food have access to the necessary exchange to make purchases. This alone presupposes an enormous and complicated maze of problems. F.A.O. must provide the courageous leadership necessary to carry out a world-wide programme of stimulating food consumption. Inter-Governmetal consultation is called for at every phase of the task, *e.g.,* in the case of emergency shortages, long-term expansion and commodity surpluses. F.A.O. proposes to make a review of the situation in food and agriculture, forestry and fisheries, at the Annual Conference, and that, in the interim period between Conferences, the World Food Council should examine the changing situation and advise Governments of needed adjustments.

The World Food Council proposes to undertake the following activities during the coming year:—

1. The taking over of international allocation of foods and fertilisers from the International Emergency Food Council, retaining its structure of commodity committees.

2. Ensuring maximum mobilisation of food for human use in 1947-48, including the strengthening of food collection and food economy measures and of efforts to move the maximum amount of food from exporting countries.

3. Accelerating the supply of materials needed to expand the 1948 harvest in food deficit countries.

4. Promoting long-term agricultural development and nutritional programmes for countries and regions, and in collaborating with other specialised agencies and with the United Nations on the more general economic aspects.

5. Reviewing commodity situations in agriculture, forestry and fisheries and promoting joint activity among governments, including studies leading where necessary to commodity agreements. In this work the Council would maintain close contact with the Interim Co-ordinating Committee on Intergovernmental Commodity Agreements.

A Defence of Planning.

F.A.O. is essentially a planning body. In recent years much criticism has been voiced of planning activities, whether on the part of national Governments or at the international level. The planner has been made to appear synonymous with the bureaucrat

and, for this reason, has been the victim of a considerable amount of unpopularity. But what is planning? The planning of any activity seems to be the highest act of which the human intellect is capable. It is founded on the basic human instinct for security, on the preparation for the unknown. Can such a procedure reasonably be criticised, particularly in the case of F.A.O., when the raising of world nutritional standards is the primary objective? By what other means than concise, accurate and careful planning can food production, consumption and distribution be co-ordinated in the interests of the world population at large? Whatever may be said of planning within a nation, surely no criticism is valid from the international point of view.

Conclusion.

The success of F.A.O. is essentially linked with that of the United Nations Organisation and its subsidiaries. And the success of all the international organisations which have come into being since the conclusion of the recent War depends on the continuation of a spirit of co-operation. At first sight this concept of co-operation seems to be an intangible. But is it really so? Was not the spirit of co-operation the essential and central ingredient in the successful Allied War effort? In spite of failures in some aspects of international diplomacy, have we not before us examples of the application of the co-operative principle in recent times? The recent world trade discussions at Geneva show examples of nations subordinating individual objectives to the welfare of the body of nations as a whole. With a continuation of co-operation between the members of F.A.O. much can be expected of the organisation. In actual fact, the only insurmountable obstacle to the success of F.A.O. would be a breakdown in the present good relations between members. Otherwise, there is every reason to hope and expect that F.A.O. can proceed to plan solutions of world food problems in order to lift the level of food intake to a plane never previously occupied by an aggregate of the world's peoples.

THE CURRENT RICE SITUATION WITH PARTICULAR RELATION TO AUSTRALIA.

By

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Rice, unlike wheat, has been in short supply since the outbreak of war with Japan and, while Asiatic production has increased in the past two years, it is still considerably below the pre-war level.

This, and the fact that potential demand has risen considerably has caused a sharp rise in rice prices over the past few years and has enabled Australia to dispose of her entire rice crop at a price which is very favourable to the local grower. How long is the current shortage likely to last? For how much longer can Australian growers expect to be able to sell their entire crop at the present high price? These questions are not easy to answer, but