

1 INT-2470

POS/INT. 72/3

Date: 20 July 1972

ECONOMIC COMMISSION FOR LATIN AMERICA
Office for the Caribbean

NOTE ON
27TH OILS AND FATS CONFERENCE
DOMINICA, 7-8 JULY 1972

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Market Allocations

1. The primary purpose of the meeting was to decide on market allocations for the second half of 1972. Inevitably there was discussion of the trading done in the first part of the year, particularly the question of outstanding allocations. Delays by Trinidad/Tobago and Guyana in taking up quotas led to piling up of stocks, threatened the cessation of purchase of copra from growers in Dominica and led to a formal complaint against Guyana who still had not taken up her allocation. The outcome was:

- (i) an undertaking from Guyana to take up the January-June allocation during the second half of the year;
- (ii) a decision that purchasing countries should take up 50 per cent of copra and raw oil allocations within three months, and not defer all their purchases to the end of the six-month quota period;
- (iii) an understanding that supplying countries would submit regular returns to the Secretariat on their stock situations.

2. Regarding new allocations, some countries did not specify any requirements, and others notified requirements substantially below the levels for the comparable period in 1971. The July-December situation shows deficits of 2,072 tons, surpluses of 2,788 tons, a net surplus of 716 tons. The final decision regarding sources and destination was:

| | | | |
|--------------|-------------------|-------|------|
| St. Lucia to | (Jamaica | 1,007 | |
| | (Trinidad/Tobago | 1,093 | |
| | | <hr/> | |
| | | 2,100 | tons |
| Dominica to | (Barbados | 83 | |
| | (Antigua | 60 | |
| | (Trinidad/Tobago | 545 | |
| | | <hr/> | |
| | | 688 | tons |

i.e. allocations were made for 2,788 tons. No allocations were made in respect of Montserrat, St. Kitts-Nevis-Anguilla, Grenada, Belize, St. Vincent.

There was the feeling that some countries were drifting into an "avoidance" of commitments by non-notification of requirements. Clearly, if no requirements are reported there is not a commitment to purchase surpluses. The development of such a practice could frustrate the workings of the oils and fats arrangements.

The Question of Statistics

3. The Secretariat felt that to a large extent the trading arrangements were hampered by lack of reliable statistics particularly as regards deficits and stocks. Estimates of requirements have been significantly affected by continual revisions of production estimates in Guyana, Jamaica, Trinidad/Tobago; and available supplies are never precisely known because there is not up-to-date reporting of the stock situation. In addition, there was no current reporting of imports into the region of items like soya-bean oil, sorghum oil etc.

No substantial decision was taken on how to improve the statistical situation other than that mentioned in para 1(iii).

Products Standards

4. Several countries (notably Antigua) strongly maintained that importations of products in the oils and fats range had to be made from outside the region to meet demands of the tourist industry. Trinidad/Tobago pointed out that various tests of the Trinidad products (cooking oil and margarine), had established high levels of quality which made them acceptable to the tourist sector. More important, Trinidad/Tobago had laid down national quality specifications and proposed that some uniform standards specifications be adopted for the region.

The decision was taken to establish a committee of Government experts under the aegis of the Secretariat to recommend suitable standards requirements that could be adopted by all the countries.

Raw and Refined Oil

5. If one considers the operations of the oils and fats marketing arrangements over the last ten years, it would be noted that initially the central issue was to provide an assured trade in copra, that about five years ago the issue became one of providing for trade in raw oil, and that now a new issue is arising - the need to provide assured trade conditions for refined oil. It reflects the expansion into the processing of the raw material that has been made in the LDC's.

The decision now being sought is that area territories should in the first instance import refined oil from the LDC's, before pursuing any other arrangements to meet domestic requirements. For this purpose member countries are asked to, immediately, institute a system of import licensing for imports of refined oil to ensure - (a) that supplies are drawn from the LDC's that have such surpluses, and (b) that no trading takes place below the area price. ^{1/}

6. Point (b) generated a lengthy discussion in which it was revealed that:

- (i) the area price was \$3.75 f.o.b., imperial gallon in buyers drums;
- (ii) Barbados had purchased 80 per cent of the refined oil so far traded in 1972;
- (iii) Dominica was selling to Barbados at \$3.19 c.i.f. and to Guyana at \$3.45 c.i.f. while St. Vincent sold to Barbados at \$3.21 c.i.f.;
- (iv) St. Lucia was holding out for the area price (\$3.75 f.o.b.) and therefore had not managed to sell any refined oil to Barbados or Guyana.

St. Lucia argued that if the area price for copra was paid to growers then it was impossible for processors to sell refined oil below its stipulated area price. Dominica said their unit of quantity for sales was the American gallon. No final conclusion was reached.

^{1/} Some licensing arrangements are already operated by Barbados, Guyana and Trinidad/Tobago.

(It could well be that the area price for refined oil had been set too high, or that there are significant differences in levels of efficiency in processing).

7. Then there was some disputation between St. Lucia and Guyana as regards adding the cost of containers to the area price. Apparently although the Agreement stipulates "buyers drums", the practice for at least the last seven years has been for St. Lucia to supply Guyana in "sellers drums". Guyana pointed out that an increase in price, in the face of their own rising production, would make it more difficult to take up even the allocation outstanding for the first half of 1972. The issue remained unresolved.

Comments

8. (i) The operation of the Oils and Fats Protocol is far from smooth; and perhaps there is the suggestion of less than full support for the mechanism as it operates.
- (ii) There is evidence of price competition among the suppliers (Dominica, St. Vincent, St. Lucia) in which St. Lucia is losing out and will be left holding substantial stocks.
- (iii) Thought has to be given to the pricing machinery, especially as it is attempting to set area prices, simultaneously, for several stages of production - copra, raw oil, refined oil.
- (iv) Most fundamental, there has not yet been any concerted attempt to consider the Oils and Fats industry comprehensively. The protocol deals only with the trade aspect. It is important to bear in mind that in terms of industrialization in those islands, industries based on coconut production should have better possibilities of realization, than several of the industry sub-groups that have been discussed from time to time. Such a study should be accorded very high priority, and it is somewhat surprising that so far it has never been suggested much less attempted.
9. ECLA has been deeply involved in this subject only when it became evident that a serious situation had developed. The ECLA Regional Economic Adviser in 1969 and 1970 assisted in the working out of formulae for expanding the scope of the trading arrangements. Aside from this, some aspects of the oils and fats situation fall within the scope of the

project "Prospects for Growth in Intra-regional Trade". ^{1/} The sub-project "Problems of Small-scale Industry" (03-62) within the broader framework of intra-regional trade, brings attention to some aspects of the oils and fats situation.

It seems the next step for any ECLA involvement should be commodity study of the oils and fats range, including comprehensive examination of such questions as linkages to processing activities within the LDC's, the impact on trade in the raw materials and implications for related industries in the MDC's.

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20 July 1972
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^{1/} Project 03-6.

