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Comments on
Third CARICOM Oils and Fats Conference
Grenada - 16 to 17 June 1975

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The main issues were: (a) establishment of 'area price' for copra (and by application of formulae prices for raw coconut-oil and refined oil), and (b) 'allocation' of markets. It would be recalled that the last Oils and Fats meeting did not arrive at an 'area price'. At that meeting, Dominica and St. Lucia, the two main producers, had insisted on a copra price of EC\$1,000 per ton. At the other extreme Barbados had insisted there be no increase on the previous price of EC\$720. Between these two positions were Jamaica and Guyana who were firm that they would not agree to any price in excess of EC\$785.

2. The general background then was continuing downward trend in prices for oils and oil seeds, and sharp world inflation. It is also of some importance to recall the history of area pricing. The ruling price of EC\$430 in 1973 was raised to \$550 in January 1974 which was intended to cover the period January to December 1974. However, against the background of higher costs of inputs, the producers argued for and obtained a further price increase to \$720 per ton in July 1974. When this revision was made in July 1974 there was a tacit (not explicit) understanding that the price of \$720 would relate to the second half of the year 1974. Failure to establish an area price in January 1975 left the legal situation confused.

3. The Oils and Fats Protocol (i.e. Schedule IX of the Common Market Agreement) requires that each price fixing would be in respect of the following year (which is not defined necessarily as being calendar year). One view therefore is that the area price decided in July 1974, \$720, continues to be operative up to June 1975. The alternative view is that there has been no area price since January 1975. This arises from the stipulation that the CARICOM Council is required to approve the area price decided in the Oils and Fats Conference (the Oils and Fats Conference decisions being deemed as recommendations

to CARICOM Council); which would in turn imply that the new price determined by Oils and Fats Conference does not take effect until approved by CARICOM Council. The significant point is that the price revision of July 1974 (to \$720) was never submitted to CARICOM Council for approval; hence the alternative positions either that the area price for calendar year 1974 was \$550 per ton up to December after which there is no area price, or that the Governments accept a de facto situation that an area price of \$720 ruled for the twelve-month period July 1974 to June 1975. At this stage which alternative is accepted is important only as reference base to the new negotiations. But clarification of the legal procedures regarding the fixing and application of the area price is now a matter of prime concern, and needs to be dealt with by the Committee authorized to review Schedule IX of the CARICOM Agreement.

4. The interim market situation is that over the period January to June 1975 oils and fats products have been traded bilaterally at prices which are negotiated for each shipment in the range \$820 to \$850 per ton copra equivalent. At this meeting, St. Lucia and Dominica sought to get a price of \$850 a ton (which contrasts directly with their insistence at the last meeting for a price of \$1,000 per ton), and this was supported by St. Vincent and Grenada. On the side of the purchasing countries, Barbados was amenable to \$800 per ton, Jamaica \$825, but Guyana was reluctant to move from \$785 per ton. After considerable negotiation they finally settled on an area price effective 1 July 1975 ostensibly for a twelve-month period of \$825 f.o.b. per ton of copra. On this basis, price for raw oil would be \$5.90 per Imperial Gallon in buyers' drums f.o.b., and refined oil would be \$6.88 per Imperial Gallon in buyers' drums f.o.b.

5. It has to be understood that although there has been a steady downward trend in the world price for oils and oil seeds products, so that imports can be made from third countries in the region of \$625 per ton of refined oil c.i.f., the higher price has been accepted by purchasing CARICOM countries on the premises that -

- (i) the area price relates to actual costs of production in the LDC's;
- (ii) it should be adequate for stimulating expansion of the coconut industry;
- (iii) the mechanism should operate in a fashion that provides a measure of price stability;
- (iv) overall it should be reasonably remunerative to producers.

The present situation is that the area price stands some 30 per cent above the comparable price for imports from foreign sources.

6. Against this background it is of some importance to appreciate the demand-supply situation in the region. Figures provided by the CARICOM Secretariat show estimated surpluses in 1975 as: Dominica 1,564 tons, St. Lucia 2,100 tons, giving a total of 3,664 tons. On the other hand, estimated deficits are: Guyana 9,000 tons, Jamaica 21,000 tons, Trinidad & Tobago 5,000 tons, an estimated total of 35,000 tons. In short, only about 10 per cent of the market requirements are being supplied within the framework of the Oils and Fats Protocol.

7. The surpluses and deficits declared at this Conference in respect of July to December 1975 were:

Barbados	..	-	3,143
Guyana	..	-	2,803
Grenada	..	-	200
Jamaica	..	-	10,237
Trinidad & Tobago	..	-	4,400
Dominica	..	+	879
St. Lucia	..	+	450
St. Vincent	- marginally a purchaser or seller depending on internal requirements.		

In short, declared deficits amounted to 21,122 tons, while declared surpluses total to only 1,329 tons.

8. On the basis of these declared deficits and surpluses in respect of which the area price for trade under the Oils and Fats Protocol would apply, the following market allocations were made:

(i)	Barbados	..	198 tons	50 from Dominica 148 from St. Lucia
(ii)	Grenada	..	25 tons	from St. Lucia
(iii)	Guyana	..	176 tons	from Dominica
(iv)	Jamaica	..	644 tons	from Dominica
(v)	St. Kitts-Nevis-Anguilla		9 tons	from Dominica
(vi)	Trinidad & Tobago	..	277 tons	from St. Lucia.

These allocations were arrived at by apportioning the surpluses as ratios of declared deficits, and taking into account the normal commercial links between the countries.

9. It is evident that up to now high area prices have not resulted in expansion of production in the LDC's. It is also clear that the MDC's have only two alternatives, i.e. purchase from third countries, or expansion of their own production in a commodity field that was ostensibly reserved for the LDC's. The proposed soya bean project at Guyana assumes a greater significance if fitted into this picture of oil deficits, and the question then arises of the relationship between the soya bean oil price as against raw coconut-oil and the inevitable effect on the LDC's.

A final point which should be noted is that St. Lucia has moved away from supplying refined oil in bulk, to supplying (mainly to Jamaica) in bottles. Refined oil traded in this way falls outside the scope of the Protocol. No estimate is provided of the quantity involved in these transactions.