

NOTE: Although the content of this paper is presented in considerable detail, it should be clearly understood that the proposals are tentative and provisional. They are put forward, not as a fully considered and developed plan, but with a view to securing the benefit of views and constructive suggestions from other Departments interested. Observations will accordingly be welcomed, the more so having regard to the short time available for preparation for the forthcoming Food Conference.

Ministry of Food, 24 March, 1943.

#### INTERNATIONAL PLANNING OF FOOD

1. If the world food situation is left to look after itself, the broad course of events in the post-war period may be fairly confidently predicted. The acute scarcity of almost every food except wheat and potatoes will lead to a scramble on the world market for the altogether inadequate supplies of fats, milk products, meat and other essentials of a normal diet. This will drive world prices of such foods to extraordinary levels. As an outcome, the so-far successful efforts to control the cost of living in a number of countries may be impaired, leading to labour unrest, social injustice, and all the evils of inflation; while internationally the weakest and neediest nations would go to the wall, and the whole atmosphere of post-war co-operation would be poisoned. Furthermore, under the stimulus of excessively high prices, food producers will everywhere strive to increase output to the maximum. What this means in the way of bad farming, inflated land values and false ideas of phenomenal prosperity we know from past experience, particularly in the United States. When at the end of a few months or years the food boom ends, producers will be left stranded and embittered, calling for political action to make good their shattered fortunes, while widespread industrial depression will supervene.
2. Clearly, if the world is to avoid this repetition of old errors, international action is required. Such action would take four main forms:-
  - (a) To explore and exploit with the utmost energy every means of increasing world output of foods likely to be in short supply and generally to take all possible measures to prevent the rocketing of world food prices in the post-war period and their subsequent collapse.
  - (b) In countries such as the U.S.A., the British Dominions and the U.K., to continue rationing into the post-war period of those essential foods the supply of which cannot be made sufficient by the above means; in this way ensuring that all of the peoples of the United Nations, including more particularly those in liberated territories, have at least a minimum ration of these foods.
  - (c) To provide as far as possible for an orderly transition to balanced world production of foodstuffs on an economic basis.
  - (d) To lay the foundations of a permanent international food and nutrition policy and organization.
3. To these ends an International Food Office should be constituted by the United Nations and nations co-operating with them.

#### I. Emergency Functions of the International Food Office

4. The immediate activities of the International Food Office would include:
  - (a) Making the necessary proposals to the Combined Food Board to increase the world output of foods likely to be in short supply. With this object in view the present purchasing agencies, working under the aegis of the Combined Food Board, would take measures along the following broad lines:-
    - (i) Place long-term contracts, extending over several years, with food suppliers, where appropriate fixing target production and offering special price and other incentives for the enlargement of present output or capacity.
    - (ii) Ensure the provision of adequate storage facilities.
    - (iii) Secure the planting of special new crops (e.g., soya bean) wherever this can be done.
    - (iv) Take such other steps as may be necessary (e.g., providing merchandise on which native growers may spend their earnings) to increase production of vital foods.
  - (b) Making provision for the steadying of world prices of foods over the post-war interim period. The principal means of doing this would be:-

- (i) To state definite prices in the long-term contracts placed, with possibility of renewal.
  - (ii) To obtain the agreement of the participating nations not to engage in competitive buying, but to collaborate in arrangements for orderly allocation of supplies.
  - (c) Making provision for the international financing of contracts placed in accordance with these directives, for this purpose having recourse to the machinery of the International Clearing Union. (See Annexe 1.)
  - (d) Ensuring that United Nations transport facilities be made available to convey food to the areas requiring it by engaging to hold together the United Nations' Shipping Pool for as long as may prove necessary after the war.
5. As and when the post-war food emergency passed, foods entering into international trade on a substantial scale would be switched over from long-term contracts to the Commodity Control schemes for the international regulation of primary products. By this means producer's would be guaranteed against any catastrophic drop in world prices. Where foods existed in excess supply, the International Food Office would make appropriate arrangements for their distribution in necessitous areas. (Cf. "The International Regulation of Primary Products", para. 11 (ix):- "Commod Controls would set their faces against any deliberate destruction of food which otherwise may take place .... and wherever appropriate they would make arrangements for unavoidable surpluses to be distributed for consumption in necessitous areas".)

## II. Long-term Functions of the International Food Office

6. The long-term functions of the International Food Office would comprise:-
- (a) International co-ordination, including such general matters as the setting up of international standards; acting as a clearing-house of information; compilation of world statistics; initiation and co-ordination of research; scheduling of areas of defective nutrition; enquiries into means of improving food production; application of scientific methods to backward countries; nutritional education; propagation of new methods for the practical application of nutritional principles; together with the publications, enquiries, committees and conferences entailed.
  - (b) Food surpluses. The taking over of extraordinary food surpluses and their distribution in necessitous areas. (Cf. Annexe III.) Only in altogether abnormal conditions, if at all, would international restrictionist measures (export quotas, etc.) be applied to foods.
  - (c) Developmental grants, through the medium of the Clearing Union, to improve the quantity and quality of food production in the world so as to provide the necessary basis for adequate nutrition.
  - (d) Adequate nutrition. Securing as far as possible that in every country adequate nutrition is made a first charge upon national income; and, more generally, that the proper feeding of the people is made part of a consumption policy designed to give an expansionist bias to home and international trade.

The closely interlocking character of these four principal functions is sufficiently evident to render detailed analysis superfluous at the present stage. The international enquiries and surveys made by the International Food Office would be fundamental to the disposal of surpluses; would indicate where developmental grants were most necessary, and the form these grants might take; while the possibility of conferring or withholding these grants would be used as a lever for securing that the necessary attention was given to nutrition by the different nations.

## III. Organization of the International Food Office

7. It is not necessary at the present stage to enter into the detailed organization of an International Food Office, but when the time comes for this the experience of the International Labour Office might usefully be taken into account. Perhaps the strongest feature of the International Labour Office lies in the fact that by reason of its tripartite form of
- Ø See Annex II.

organisation (Government delegates, employers' delegates and workers' delegates) it represents not only governments but, to some extent, peoples. The International Food Office might adapt this idea to its own special circumstances. One way of doing this would be to make membership conditional upon the setting-up of a National Nutritional Council in each Member State. These Councils would not be governmental organisations, but officially recognised bodies grouping together all societies and associations active and interested in problems of feeding and nutrition. The National Nutritional Council would nominate one of the representatives to attend the Conference of the International Food Office, such representative to have the same speaking and voting rights as the government representative. By this means centres of nutritional activity would be set up in each country, and at the same time the I.F.O. would bring to its meetings delegates of independent standing who in some measure could speak directly for the consumer.

If this general basis were accepted, then each member state might send to the Conference of the International Food Office two government delegates, together with one delegate nominated by the government in collaboration with the National Nutritional Council, and one delegate nominated by the government in collaboration with the most representative organisations of the food producers of the country. The Governing Board of the International Food Office would likewise be made up of government members and expert members: possibly four government members appointed by China, the U.K., the U.S.A., and U.S.S.R. respectively; four government members selected by the government delegates of the other states present at the Conference; and four expert members selected by the whole of the expert delegates to the Conference, two of these members representing the consumers' side and two the producers'.

The International Labour Office machinery of Conventions and Recommendations might also be adapted to the use of the International Food Office, together with a third type of instrument, viz: Proposals addressed to other international organisations. If the foregoing general outline of immediate tasks were accepted, the I.F.O. would promulgate a Convention for ratification by member states prohibiting competitive buying of food for a period after the war; a Recommendation on the post-war continuance of rationing, inviting adherence by all the United Nations; and Proposals (a) to the Combined Food Board on the stepping-up of the production of food and the determination of prices; (b) to the International Clearing Union on the financing of the long-term contracts; (c) to the General Council for Commodity Controls regarding the establishment of buffer stock schemes for certain specific foods and (d) to the Combined Shipping Board on the holding together of the United Nations' Shipping Pool.

8. In sum, leaving aside the long-run prospects, the international planning of food at the present time would thus have four main features:-

- (1) To see to it that everything possible is done now to increase the supply of scarce and necessary foods at the end of the war, the principal means being the placing of long-term contracts permitting the increase of productive capacity, coupled with deliberate and concerted self-denial on the part of the more fortunate countries.
- (2) To hold world food prices at the end of the war, keeping them sufficiently remunerative, but preventing the frantic boom and catastrophic slump which will otherwise be inevitable.
- (3) To ensure an auspicious launching of the Clearing Union and Commodity Control schemes: first, as part of the present handling of the post-war food emergency; and later, as essential features of world social and economic organization.
- (4) To do all this on a United Nations basis, so as to secure general assent to concerted action - assent not likely to be forthcoming so long as arrangements are made exclusively on a two-nation or four-nation basis.

THE INTERNATIONAL CLEARING UNION

The primary function of the Clearing Union is to provide countries with external bank balances for the conduct of international trade. Formerly, a country used its gold reserve as the "small change" of international commerce. For most countries in the post-war period this would no longer be possible. It is accordingly necessary to provide some means of giving them the requisite international purchasing power to start and keep going the currents of world trade. The Clearing Union would do this by providing what is, in effect, overdraft facilities up to 75% of the value of their average annual imports and exports combined.

Similar overdraft facilities could also be provided for the implementation of international policies. Section ix of the document, "Proposals for an International Clearing Union", considers some typical examples. Among them are the following:-

"(1) The Union might set up a clearing account in favour of international bodies charged with post-war relief, rehabilitation and reconstruction. But it could go much further than this. For it might supplement contributions received from other sources by granting preliminary overdraft facilities in favour of these bodies, the overdraft being discharged over a period of years out of the Reserve Fund of the Union, or, if necessary, out of a levy on surplus credit balances. So far as this method is adopted it would be possible to avoid asking any country to assume a burdensome commitment for relief and reconstruction, since the resources would be provided in the first instance by those countries having credit clearing accounts for which they have no immediate use and are voluntarily leaving idle, and in the long run by those countries which have a chronic international surplus for which they have no beneficial employment." .....

"(3) The Union might set up an account in favour of international bodies charged with the management of a Commodity Control, and might finance stocks of commodities held by such bodies, allowing them overdraft facilities on their accounts up to an agreed maximum. By this means the financial problem of buffer stocks and "over-normal granaries" could be effectively attacked."

The paper continues:-

"42 The facility of applying the Clearing Union plan to these several purposes arises out of a fundamental characteristic which is worth pointing out, since it distinguishes the plan from those proposals which try to develop the same basic principle along bilateral lines and is one of the grounds on which the Plan can claim superior merit. This might be described as its "anonymous" or "impersonal" quality. No particular Member States have to engage their own resources as such to the support of other particular States or of any of the international projects or policies adopted. They have only to agree in general that, if they find themselves with surplus resources which for the time being they do not themselves wish to employ, these resources may go into the general pool and be put to work on approved purposes. This costs the surplus country nothing because it is not asked to part permanently, or even for any specified period, with such resources, which it remains free to expend and employ for its own purposes whenever it chooses; in which case the burden of finance is passed on to the next recipient, again for only so long as the recipient has no use for the money. As pointed out above, this merely amounts to extending to the international sphere the methods of any domestic banking system, which are in the same sense "impersonal" inasmuch as there is no call on the particular depositor either to support as such the purposes for which his banker makes advances or to forgo permanently the use of his deposit. There is no countervailing objection except that which applies equally to the technique of domestic banking, namely that it is capable of the abuse of creating excessive purchasing power and hence an inflation of prices. In our efforts to avoid the opposite evil, we must not lose sight of this risk .....

But it is no more reason for refusing the advantages of international banking than the similar risk in the domestic field is a reason for returning to

the practices of the seventeenth century goldsmiths (which are what we are still following in the international field) and forgoing the vast expansion of production which banking principles have made possible."

The two proposed uses of Clearing Union finance in relation to the International Food Office - under-pinning of long-term contracts and financing the taking-over of extraordinary surpluses - are clearly in line with these broad proposals. A phrase used in para. 13 of the "Proposals for an International Clearing Union" may indeed be further extended. Drawing an analogy between the Clearing Union and the part played by banking facilities in the development of modern industry, it is pointed out that the Clearing Union repeats "in the international field the same miracle, already performed in the domestic field, of turning a stone into bread". It may, by way of an International Food Office, perform the no less notable and even more necessary miracle of turning surpluses into food.

THE INTERNATIONAL REGULATION OF PRIMARY PRODUCTS

1. The scheme for the international regulation of primary products has three main features:-

- (1) Buffer stocks and short-term price fluctuations. For each commodity coming under the scheme a buffer stock will be set up. The object of the buffer stock is to prevent the excessively wide day-to-day fluctuations in the price of the commodity. The Commodity Control would decide what was the present 'normal' price of the commodity and be open to buy at a price 10% below this 'normal' and open to sell at a price 10% above this 'normal'. By this means the day-to-day price fluctuations would be held within a 20% range, in place of the 60-80% range which has been common for many primary products in the past.
- (2) Long-term price adjustment. The Commodity Control would find it necessary from time to time to adjust its 'normal' or basic price. Otherwise, if the long-term trend was downwards it would find itself holding impossibly large buffer stocks, while if the long-term trend was upwards it would find the whole of its stock being bought up. On the other hand it would make these long-term adjustments in price with due circumspection. In particular, when owing to a trade depression prices were tending to fall catastrophically it would make the downward adjustment slowly, cushioning the shock of depression by taking up greatly increased stocks. In this way the Commodity Controls would underpin a falling market, holding the temporary 'surplus' in strong hands instead of, as at present, leaving it like so much shifting ballast to 'rock the boat'.
- (3) International Restrictionist measures. It might well happen that, in spite of the cushioning effect of the buffer stocks, the price of a commodity, left to find its own level, would be driven so low as to be unfair to the producers of that commodity. In this case the scheme makes provision for international restrictionist measures. These would normally take the form of allocating an export quota to each of the principal producing countries and in any one year permitting them to export a given percentage of their quota. By this means competition on the world market would be restricted, and the world price held above its 'natural' level, at a height judged to be 'fair' to the producers.

2. The relevance of the Commodity Control Scheme to the work of the I.F.O. would be twofold:-

- (1) Underpinning the world market. Once the post-war food scarcity had passed, the Commodity Controls would underpin the market. Instead of permitting a disastrous slump in the prices of primary products the Commodity Controls would start building up their buffer stocks so that henceforward they would be in a position to act as regulators for the market in that commodity. In this way, while the I.F.O. would take the steps necessary to meet the post-war world food shortage, the Commodity Controls would look after the ensuing world food surplus.
- (2) Distributive in place of restrictionist schemes. In the second place, so far as it proved practical, instead of applying international restrictionist measures to foods, distributive schemes would be adopted. Specifically, if in a particular year the world harvest of a particular food proved to be greatly in excess of demand, and more than the buffer stock could conveniently take over, the I.F.O. would purchase this 'surplus' at a relatively low price and distribute it in necessitous areas. The I.F.O. would not countenance schemes involving directly or indirectly the destruction of food. Similarly, if for some reason the world supply of a food were regularly far in excess of world demand, some considerable time might elapse before the gradual reduction in the basic price by the Commodity Control induced producers to shift into other lines of production.

This would involve a vast piling up of stocks, much more than the Commodity Controls could reasonably absorb. In such an event the I.F.O. would again purchase the surplus and distribute it internationally where most required. This does not necessarily mean that international restrictionist schemes would be definitely ruled out for food; but recourse to them would only be had after the possibilities of distributive schemes had been completely explored.

3. The principal foods for which Commodity Controls would presumably be constituted are: wheat, maize, rice, sugar, oils and oilseeds, tea, coffee, cocoa, and perhaps meat, bacon, butter, cheese. The four last are perishable commodities the storage of which would present special problems.

### ANNEXE III.

#### FOOD SURPLUSES

If, as is to be expected, an expansionist monetary and financial policy is followed in all or most of the economically advanced countries, and especially if an International Clearing Union imparts an expansionist bias to international trade, it is unlikely that food surpluses will occur on anything like the scale experienced in the 1930s. On the other hand, imperfect national control, variable harvests, fluctuations in world demand, and other factors, may at times raise problems which are greater than the buffer stocks of the International Commodity Controls can conveniently handle. Furthermore, surpluses may arise of foods not covered by controls. If the I.F.O. stepped in and took over such surpluses as could not otherwise be dealt with, a threefold purpose would be served. For one thing it would meet a great psychological need. World opinion has been shocked by the destruction of food surpluses (wheat, maize, coffee, cocoa, etc.). Food has symbolical as well as nutritional significance. The "plain man" feels that there must be something fundamentally wrong with a regime that destroys food when elsewhere in the world men, women and children are going hungry. In the second place, with the International Food Office under-pinning the International Commodity Controls in the disposal of surpluses, the argument in favour of restrictionist methods (e.g. export quotas, limiting the amount of food that can be made available on the world market) would lose their validity. This is important, in that it would help to prevent private interests entrenching themselves behind such schemes and mulcting the general public. Finally, there is the use of such surpluses for the feeding of peoples who have encountered economic disaster such as a crop failure, a veering of world demand away from their products, or some natural cataclysm. It is to be expected that after the war there will be an increasing number of self-governing or quasi-self-governing areas of the mandate type, which from time to time will need such international assistance.

The broad procedure in the disposal of surpluses might be of this general type. Normally the buffer stock for the commodity in question would take up any moderate surplus, gradually lowering the basic price of the tendency to produce surpluses remained chronic. Until such time as the reduction in the basic price had had its effect upon world production, abnormal surpluses would be produced. The restrictionist method of dealing with this would be to prohibit export above a certain quota, leaving each country to deal with its surplus production in its own way. The International Food Office method would be (a) to prohibit destruction of food; (b) to offer to purchase the abnormal surplus at a price appreciably below (e.g. 50% to 75% of) the buffer stock price. Such stocks as it obtained by these means it would distribute:-

- (a) in any areas scheduled at the time as famine relief areas;
- (b) in areas where the standard of nutrition was abnormally low;
- (c) in areas likely to derive special benefit from the food in question.

It would in the nature of things be some time before the International Food Office was called upon to handle surpluses of this kind (with the exception of wheat <sup>φ</sup>). During this period it would set up the necessary machinery and make the necessary surveys for scheduling famine areas and areas of exceptionally low nutrition. It would also make it a condition of its grant that adequate methods were adopted by the recipient country for putting the food into the hands of people having the greatest need, whether by some variant of the Blue Stamp Plan or some other system adapted to local conditions.

Great care would have to be taken to secure that, in giving food relief, normal trading was not interfered with unduly. By seeing to it that supplies went to completely impoverished people, and by routing such supplies as far as possible through normal trade channels, this problem could probably be solved.

#### ANNEXE IV.

#### THE INTERNATIONAL FOOD OFFICE AND RELIEF

The interlocking of the work of the International Food Office and post-war relief activities is one of the more difficult questions to tackle, particularly since the scope and meaning of relief is not defined. Clearly though, whatever relief organization is eventually set up, it is not likely to be in a position to promote the intensification of world food production envisaged here, or to safeguard world food prices against a disastrous boom and collapse. On the contrary, the projected work of the International Food Office would be an essential basis for relief, without which certain essential supplies would be both inadequate and prohibitively expensive. On this matter there is no difficulty. The problem arises over the division of what may still be inadequate total supplies (e.g. of fats) between relief and non-relief uses. Probably all that can be said at the present time is that this problem of division will arise in any case, and will present itself in a far less acute form if the International Food Office has been successful in promoting increased production and restraining excessive price increases.

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<sup>φ</sup> The disposal of abnormal wheat surpluses at the end of the war should constitute no insoluble problem from the demand side. In all probability Europe, the U.S.S.R., China and the Far East could absorb it all without difficulty as soon as it can be transported.



A FEW COMMENTS BY THE COMMODITY POLICY SECTION ON THE  
MINISTRY OF FOOD'S NOTE ON THE INTERNATIONAL PLANNING  
OF FOOD

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1. Measures are obviously necessary to control prices in the immediate post-war period and possibly to make International co-ordinated purchases, but would not the Combined Food Board and London Food Committee (enlarged to include representatives of other countries) be the most suitable machinery for the purpose?
2. Much of the longer term work outlined in the notice seems desirable, but the most important part of it is already allocated to the individual Commodity Controls or to the General Council under the Treasury Memorandum of 6th February, 1943. If the work were allotted to an International Food Office, it would make not only the Commodity Control scheme outlined in the Treasury Memorandum, but any other scheme, extremely difficult to work in so far as any foodstuff was concerned. It is very important in international matters not to have any conflict of jurisdiction between international bodies, such as has arisen when a number of departments as is now the case in U.S.A. deal with different aspects of the same commodity. It seems impracticable to have foodstuffs subject to a different system to other agricultural products, as they are so closely inter-related, e.g. the same animal - sheep - produces both food and fibre, and what is normally wheatland in Canada is today producing flax.

It might, however, be useful to have an International Committee to make technical studies and to act in a consultative capacity on all questions of nutrition.

3. On a number of detailed points the proposals would increase the difficulties of a Commodity Control, e.g. the proposal of placing of long-term contracts extending over several years. This might make it difficult to switch over from the emergency measures to the Commodity Control system when desired.
4. In particular, the proposals in II 6(b) and in Annex III regarding the taking over of food surpluses would undermine a Commodity Control, and would be no real solution of the surplus problem.

The Treasury Memorandum envisages two classes of commodities; those where the price mechanism is an adequate regulator, and those where it is not. The most important commodities in the second class are those in which there is an obstinate disequilibrium between supply and demand at a price level reasonably tolerable to producers. In such cases, a Buffer Stock scheme, if it tried to maintain an equilibrium price would inflict great hardship on producers, but if it tried to maintain a price reasonably tolerable to producers, would accumulate surpluses it could never hope to sell and would, therefore, run at a permanent loss. For this reason, the Treasury Memorandum suggests that such commodities can be best controlled by international regulation of exports (and stocks) and, where practicable, of production.

The Ministry of Food Note appears to suggest that such commodities in which there is a chronic surplus do not need direct regulation, they can be controlled by a Buffer Stock and the International Food Office will purchase the surpluses at a price 50 per cent to 75 per cent of the Buffer Stocks basic price. The Ministry of Food may have detailed plans as to how this is to be done, but it looks as if the only way it can be done is for the International Food Office to purchase the surplus from the Buffer Stock; because the Buffer Stock cannot allow any transactions in the open market more than 10 per cent below the basic price, and it could never refuse to buy at a price 10 per cent above this. There will therefore be a monetary loss equal to the surplus at a basic price and somebody will have to bear this loss. It was the difficulty of bearing

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such a loss on those commodities that made the Treasury Memorandum suggest direct regulation. It is really no solution of the problem to create a new international body and debit the loss to them. In essence, therefore, the Ministry of Food's proposal implies the Buffer Stock running at a loss.

If a Buffer Stock is to run over any long period at a loss it ceases to be a Buffer Stock. It becomes a scheme to subsidise primary producers and impoverished consumers at the expense of the rest of the world. Such a compulsory transference of income might on some occasions be desirable either on humanitarian or economic grounds. But it can hardly be, as the Ministry of Food Memorandum seems to suggest, a permanent feature of economic policy. In any case the most appropriate body to decide when and where such a transference of income was desirable would be the General Economic Council.

There is another but very much less important objection. If the gifts decreased effective demand to any substantial extent they would increase the difficulties of working the Buffer Stock effectively.

31st March, 1943.

Circulate for the meeting to be held

at 11.30 a.m. in

The Ambassador's Waiting Room

at the Foreign Office

on April 1st, 1943.

Note by the Treasury.

The Treasury offer the following views on the Ministry of Food paper on International Planning of Food, in accordance with the invitation contained in the paper that other Departments should offer views and constructive suggestions.

1. It is by no means clear that there is a good case for creating an International Food Office at the present time. Its functions would seem likely to overlap with those of the United Nations Relief Organisation and with those of the Combined Food Board. In the longer run it seems doubtful whether there is room for an International Food Office which would seem to overlap with the functions of the proposed General Council for Commodity Controls and with those of the Financial and Economic Sections of the League of Nations (or such similar body as may succeed to it), or with those of the Commercial Union, if some such body is to be created. If there is to be an International Food Office, it would seem logical to have an International Petroleum Office, an International Coal Office, and International Raw Materials Office, and so on. Would it not be sufficient to propose the creation of an Agricultural Committee of the League of Nations Organisation (or whatever succeeds it) to work alongside with the Financial Committee and the Economic Committee?

2. Even if there were a good case for creating an International Food Office, the Treasury do not consider that it should have a tripartite form of organisation as suggested in paragraph 7 of the memorandum. Any international body resulting from the Food Conference is likely to be taken as a pattern for further international bodies, and if these are to

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do effective work they should be constituted of governmental representatives who are in a position to commit their Governments. The reasons which make the tripartite organisation appropriate for the I.L.O. do not seem to the Treasury to apply to post-war international economic institutions as a whole. A tripartite organisation would seem to be particularly inappropriate for an International Food Office because nationalists are still particularly prone to ignore realities.

3. As regards the immediate activities proposed for the International Food Office, the Treasury consider that the Combined Food Board, the Ministry of Food (in consultation with the Treasury and other interested departments) and the Department of Agriculture are in the best position to decide within their respective spheres whether as regards particular foodstuffs it is desirable to place long-term contracts and on what terms, and also upon the provision of adequate storage facilities so far as this is consistent with other demands on productive capacity and the planting of special new crops. The provision of merchandise on which native growers may spend their earnings must be governed by the total demands on the productive capacity of the United Nations and seems to be a matter to be dealt with by the C.P.R.B.

4. The Treasury do not understand the proposal that the International Food Office should make provision for the international financing of contracts for the purchase of food. Such contracts must be financed by the purchasing Governments. The proposed International Clearing Union is a mechanism for providing that the national currencies shall be freely convertible for current payments and for providing the necessary reserves for this purpose. The Clearing Union is not a fairy godmother which automatically solves all foreign exchange difficulties of all countries, nor

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has it any responsibility for financing the foreign purchases made by any particular country. Contracts for the purchase of food overseas in the same way as other countries must be financed nationally by the purchasing country.

5. The question what feedstuffs can advantageously be dealt with by commodity control schemes is one that should be considered in connection with the question of commodity control schemes as a whole. In particular, it is only in this general context that any picture can be formed as to how commodity control schemes are to be financed.

6. As regards the long-term functions suggested for the International Food Office, the proposal that developmental grants should be made through the medium of the Clearing Union again misconceives the functions of the Clearing Union. Such grants would have to be provided by long-term loans either nationally or under some scheme for international long-term investment.

7. Generally speaking, while the Treasury are sympathetic with the underlying purposes of the Ministry of Food memorandum, they feel that it needs a good deal of further thought about the detailed proposals, in particular the **financial proposals**, and they would emphasize that the memorandum would in any case need a great deal of alteration in the light of the decision by Ministers that the Food Conference ought to be a preliminary and exploratory conference on food questions only and that wider economic issues should be subsequently and separately dealt with after due preparation.

Treasury.

March 31st, 1943.