

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Limited Distribution

EXPANSION OF TRADE - AGRICULTURAL POLICY

Report of Committee II on the Consultation with France on Agricultural Policies

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with the individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with France. The Committee had before it (i) a synopsis, furnished by the Government of France, of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers; and (ii) documents giving detailed information on the commodities entering importantly into world trade on which the CONTRACTING PARTIES had agreed the consultations should in the main be concentrated. In conducting the consultation, which was completed on 28 January, the Committee referred to the "plan" contained in Annex A to document COM,II/5 and adopted by the CONTRACTING PARTIES at the fourteenth session. The present report summarizes the main points discussed during the consultation.

A. General Agricultural Policy

2. In his opening statement, the representative of France recalled that delegations of France had always stressed the importance of comparison of individual national agricultural policies. The development of these policies in the last ten years had been an essential phenomenon. Although they varied from one country to another, all these policies had the same objective of maintaining or improving the standard of living of the agricultural population which lagged behind that of other sectors of the population. All governments faced this problem, and all had found solutions which were more or less acceptable to them. All these policies necessarily had repercussions on external trade, but it could be clearly seen that they were a transposition into the agricultural field of policies of full employment, minimum wage rates, etc., followed in other fields and were thus an essential element of the general policy of each government.

3. There were general reasons why the standard of living of the agricultural population lagged behind that of other sectors of the population. These general reasons, such as the inelasticity of demand for agricultural products, the difficulties of stabilization of markets for these products and the fact that mechanization had not brought about as great a revolution in agriculture as it had in industry were well known, but it was important not to lose sight of the differing conditions in each country which made necessary the adoption of different agricultural policies. The outstanding feature of France as an agricultural country was the great variety of climate, soils and cultures which existed in the country;

on the 40 million hectares of arable land in France were to be found examples of every type of agriculture to be found in Europe. This was due not only to natural conditions, but also to the fact that remnants of certain very old forms of agriculture could still be found in the present methods of farming in France. The French Government had to contend with these conditions when it considered the bringing about of changes in French agriculture.

4. More than 27 per cent (i.e. over 5 million) of the active population of France was engaged in agriculture and 10 million people derived their income from agriculture; the number of persons employed was an indication of the importance of agriculture to the French economy. Forty per cent of the total population lived in small communities of less than 2,000 people and the interests of all were closely linked with farming which was a basic element in determining the importance of agriculture to France. The number of farms in France, including farms of less than 1 hectare in area, was 2,260,000; 6 per cent of these were farms of less than 1 hectare, 10 per cent between 1 and 2 hectares, 18 per cent between 2 and 5 hectares and 20 per cent between 5 and 10 hectares, which meant that 54 per cent of the farms were of areas less than 10 hectares. An additional 24 per cent of farms were between 10 and 20 hectares so that in all nearly 80 per cent of French farms were under 20 hectares. Family farms were still predominant in France and few farmers employed wage earners; thus, the size of the farms was a limiting factor to the possibilities of radical reform of agriculture by the Government. While it was true to say that the size of the farms in France was relatively favourable compared to some other European countries where there were farms of even smaller size, complications nevertheless arose from the geographical distribution of farms according to size; large farms predominated in some areas while the smaller farms were concentrated in other areas.

5. So far as production was concerned, important progress had been made in agricultural methods in France as in other countries in the last fifteen years. This progress had varied from one area of France to another. There had been increases in productivity due to mechanization, regrouping of farms, professional training, use of fertilizers and other factors but the general level of progress could not yet be regarded as sufficient. Much still remained to be done, particularly as regards extension services and the training of young farmers, although to date what had been done had resulted in an increase in productivity and an increase in production of 25 per cent over pre-war levels. It was not possible to achieve a prosperous agricultural industry without increases in production, and the French Government had tried to reorientate these increases in production in the directions where they were needed; animal husbandry, for instance, had now improved over 62 per cent and it was hoped to make still more progress. Despite all this progress, however, there were still difficulties; the relative deterioration in income of the agricultural population compared with that of the industrial population was still increasing and the lag of agricultural incomes behind industrial incomes was also widening as the years went by. It was estimated that about 80,000 people left agriculture for the towns every year. This could be considered favourable inasmuch as these people were able to find alternative employment in industry, but there were drawbacks to this migration because it was the young people, who with training would have become efficient farmers, who left for the towns. In consequence, the average age of farmers in France was increasing.

6. In order to deal fully with the main features of French agricultural policy, it was necessary to consider the question of consumption. In France, where the standard of living was relatively high and where far larger numbers of women were in paid employment than ever before, health and dietary considerations loomed large and the consumer was concerned with the quality of agricultural products. As a result of changes in consumer taste in France, there was an important gap between retail prices and the prices paid to producers which were very low. In the distribution system there were factors which worked towards an increase in this gap which was of concern to the French Government.

7. France was in a special position so far as production was concerned. In respect of many items, the level of domestic requirements had been exceeded and the emergence of export surpluses raised problems of stability; marketing organizations had been set up with the intention of preventing crises in commodity stability. The range of agricultural products produced by France was very wide, but there was no item with respect to which it was possible for the French authorities to show less interest than to others. Furthermore, France had responsibilities to her associated overseas countries and was concerned with the products of these countries. For many agricultural items, France was neither always an importer nor always an exporter. This circumstance resulted in France displeasing both importing and exporting countries. France had, however, met all her international commitments in the past year. There had been further liberalization in OEEC and this had been extended by France to other monetary areas. France aimed at extending international trade and this aim constituted the basis of her agricultural policy.

8. The Committee expressed appreciation for the clear statement of the French representative and for the documentation which had been furnished by the Government of France. At the outset of the discussion on the statement made by the representative of France and the documentation furnished by the French Government, one member of the Committee expressed surprise that there had been no reference to expansion of exports among the general objectives of French agricultural policy. It was understood that the expansion of exports was one of the main aims of the French Modernization Plans; the Third Plan (1957-61), for example, provided for the level of grain exports in 1954 to be trebled in 1961, for nearly four times the 1954 level of exports of livestock products and for total exports of agricultural products to be doubled. It was also understood that the drive for exports arose in part from the balance-of-payments difficulties that France had experienced. This member of the Committee enquired whether, in view of the recent changes in the French balance-of-payments position, there had been any change of objectives for exports and whether the French Government considered that they would need to use export aids to achieve their export objectives. He also referred to the understanding that the Plan had provided for an increase in total imports of agricultural products of 15 per cent above the level of 1954 and enquired whether the French Government considered that this objective could be attained without resort to quantitative restrictions.

9. In reply, the representative of France agreed that export objectives appeared in the Plan, but these were only incidental to the policy for expansion of agriculture in general. The balance-of-payments considerations to which reference had been made were of secondary importance; the main need was for

outlets in markets abroad for the increased production inherent in the Plan. So far as export aids were concerned, the French Government considered that export subsidization, such as was used by some other countries, might be necessary where world prices were below French prices. For the realization of the Plan on the import objectives, the French Government did not envisage the use of more quantitative restrictions; indeed, the Plan had been drawn up at a time when France was reducing quantitative restrictions. On the other hand, where quantitative restrictions remained on particularly sensitive products, it was not possible to undertake to remove them in the near future.

10. Members of the Committee noted that according to the documentation furnished by the French Government the re-organization of regional agricultural economies had become an increasingly important factor in plans for the French agricultural economy. In reply to questions about the progress that had been made with these plans, the representative of France stated that the regional problem was one of the biggest in French agriculture since, as he had indicated in his opening statement, it was difficult for the Government to make radical changes in the traditional structures of French agriculture. Conditions north and south of the Loire were completely different. Two sets of measures had been adopted by the Government to re-organize regional agricultural economies. The first set of measures was devoted to the improvement of the conditions of agriculture such as the provision of improved water supply facilities to the Lower Rhone Valley, Languedoc and Gascony. The second was devoted to the encouragement of changes in production structures such as encouragement to the production of durum wheat and corn and steps to reduce production in the single crop vineyard areas. Rice production had been encouraged and, although there had been an initial drawback, production of this crop was now well developed in some regions. Some progress had therefore been made, but improvements were still sought.

11. A member of the Committee expressed the view that the decrease in the agricultural labour force to which the representative of France had referred was not necessarily to be regretted and was in fact a prerequisite for raising the standard of living of the agricultural population. In his view, this could only be achieved if the more necessary means of existence were produced by smaller numbers of people in order that the labour force for the production of other goods could be increased; it was therefore not absolutely desirable to obtain the same income level in agriculture as in industry. Some form of incentive was necessary to move labour from agriculture to industry and a slightly lower income in agriculture than in industry could be such an incentive. While recognizing that certain social problems existed in the migration of labour from the land, nevertheless those social problems existed in the smaller units and the French agricultural system, which returned high prices to the producers, was mainly of benefit to the producers on larger units. It was important to keep in mind when considering the effects of agricultural policies on price levels that agricultural products were essential, not luxury goods, and that high consumer prices of agricultural goods raised the costs of production in other trades with adverse effects on export industries and the balance-of-payments position. The French system of agricultural support tended almost exclusively to raise prices to the farmers and paid little regard to improvements in marketing and distribution.

12. In reply, the representative of France stated that, while recognizing that in general there were benefits to be derived from the migration of agricultural labour to industry, nevertheless there were certain reservations in the case of France since the migration to the towns consisted largely of young people. Furthermore, certain agricultural regions, e.g. Brittany, were over-populated while others were under-populated so that the French authorities were faced with the necessity for a programme of internal rural emigration. Even if this were intensified, however, there would still be substantial drawbacks since if areas were left with few workers, the farmers would engage in fieldcrops instead of animal husbandry. In any case, a politically responsible Government could not insist that populations must be displaced and employed elsewhere and no systematic intervention by the State was envisaged by the Government. The suggestion that the French system was not realistic in that it favoured larger holdings was ill-founded; the larger holdings had heavier responsibilities. In any case, larger holdings paid higher taxes on surplus disposal transactions, thus favouring smaller holdings. The importance of prices to the consumer had not been neglected and the French authorities were trying to set up a closer contact between consumers and producers within the framework of the marketing organizations, particularly with regard to livestock.

13. In reply to questions about the proportion of the total value of agricultural production produced by farms of over 20 hectares which represented 20 per cent of the number of French farms, the representative of France stated that the important factor to be borne in mind was the proportion of the total area represented by the different categories of holdings. Eighty per cent of French farms were of less than 20 hectares in size and these were extremely important politically; 40 per cent of the total area under cultivation was in fact in small-holdings. Ninety-seven per cent of French farms were of less than 50 hectares and the proportion of the total area under cultivation by this 97 per cent was 75 per cent. Some of the smallholdings, such as those engaged in vine production and market gardening, had outputs of high value. There were only a very small number of farms in excess of 50 hectares.

14. Members of the Committee noted that included among the stated objectives of the Third Modernization and Equipment Plan (1957-61) were the encouragement of meat and dairy production and the reduction of acreage to wheat, vines and some other crops. They noted also the intention that agricultural incomes should increase at the same rate as those of other sectors of the population. In reply to questions as to the progress which had been made on these objectives in the three years in which the Plan had been in operation, the representative of France stated that on the first of these it was difficult, due to lack of statistics, to give full details of the results of re-orientation of production in some sectors. In livestock, for example, the statistics on production capacity were not precise but it was estimated that there had been a 15 per cent increase in the last three years. One objective of the Plan was the encouragement of the production of meat and of crops ancillary to livestock production. At the present time the area under corn production was 700,000 hectares compared with 500,000 hectares in 1956, the area under barley was now 2 million hectares compared with 1.65 million hectares in 1956, the area now under rye was the same as in 1956 and the area

under rice was 33,000 hectares compared with 27,000 hectares in 1956. The objective of reducing the area under wheat whilst maintaining the level of production had already been realized; there had been a 4.5 per cent reduction with 4.4 million hectares now under wheat cultivation compared with 4.7 million in 1956. The area under vine cultivation had been reduced by 100-150,000 hectares in the last two years. So far as agricultural income was concerned, it was very difficult to give any precise details, but it would appear that gross income to producers had increased by 27.3 per cent in 1957 and 27 per cent in 1958 if variations of stocks were taken into account; if these stock variations were left out of account, the increase was 14.2 per cent. These figures represented gross and not net income to producers. Farm costs had also increased by some 15 per cent during the same period.

15. Members of the Committee noted that within the overall aim of expanding agricultural production by 20 per cent in five years, the intention was to give emphasis to dairy production. One member of the Committee enquired as to the criteria which had been used to arrive at this decision, and whether there would be a continuing review of the policy in the light of world supply trends and prices of dairy products. For some of these there was at present an under-supply but this would probably be only of temporary duration. The representative of France stated that, in addition to conditions in world markets, consumption trends in France had been one of the main considerations which had led the French Government to this decision. The encouragement of animal production would meet these trends in France where meat consumption was high (70 kilos per head) but where consumption of dairy products was still relatively low. The Government had taken world supply trends and prices for dairy products into account in their considerations but, because France was both an importer and an exporter such considerations would be taken into account to a lesser extent than by countries which were mainly exporters or mainly importers. As to reviews of the Plan, it was not desirable or possible to undertake these too frequently since four or five years' stability was needed and this need for stability ruled out the possibility of changing the Plan to take into account rapid changes such as had been seen in the world market for dairy products in recent years. A member of the Committee expressed his view that, in connexion with the need to export surpluses as they arose to which reference had been made by the representative of France in his opening statement, even if milk consumption in France was at a relatively low level, there was a tendency for butter consumption to increase so that the French Government could envisage a more liberal import programme. The representative of France stated that the relatively low consumption level of milk was one consideration but there were others which had to be taken into account; in any case, trends in consumption of dairy products could not be separated from trends in consumption of other items. For example, trends in milk consumption could not be separated from those of wine consumption. The production of animal products represented an important share of the agricultural income and it was therefore not possible to allow prices to fall considerably without creating difficulties for the agricultural population. While there were periods when production of animal products was in excess of domestic requirements, it was felt that the long-term trends were in favour of increased consumption of animal products and that the situation would therefore eventually balance. Imports were made when these were needed to cover domestic requirements.

16. Members of the Committee, whilst noting that there had been a 5 per cent reduction in the acreage to wheat, noted also that there had been a considerable increase in productivity and that the production in 1959 was higher than ever before. They enquired whether it was the intention of the French Government to maintain the present acreage and increase production on this acreage or reduce production of wheat. The representative of France stated that it was the intention of the French Government to maintain production on the 1954 level but with a reduced acreage and an increase in productivity. One member of the Committee pointed out that the price incentive in regard to feed grains appeared to be used in France in a way not used elsewhere. While the need for more animal feed could be appreciated against the general objective of increasing animal production, it was difficult to understand the reasons which had prompted the Government of France to set a higher target price for animal feedingstuffs. The representative of France stated that intermediary products were essential. A certain assured home-produced feed was needed to foster livestock production. Moreover, the incentive was a necessary counterpart to the shift from wheat. Barley prices had increased, but the increase was not appreciable in the costs of livestock production and maize and feed wheat prices had decreased. Livestock prices had been raised more than feed prices.

17. Members of the Committee stated that it had been hoped that the abandonment by France of the rigid system of indices as the method of price fixing, which had attracted international criticism, was an indication of increasing flexibility in the administration of the French agricultural system. In their view, however, the system remained one of autarchy or near autarchy under which the producer was guaranteed a certain level of prices in the home market and was insulated from world market forces while imports were only a balancing factor in the supply. Such a régime was expensive for France. It resulted in high prices to consumers and heavy expenses for taxpayers, with consequences on the level of industrial costs. The effect of the insulation of the producer from world market forces was to delay and retard structural changes such as the transfer of labour to industry and the amalgamation of small to larger holdings. Not only was the system autarchical in terms of the internal market, but it also implied substantial surpluses which would be exported with the aid of subsidies which represented a further charge on the taxpayer. In their view, the system paid too little regard not only to the necessity of making agriculture more economic but also to the interests of the international trade as a whole with the wellbeing of which France, as an important industrial country, was vitally concerned.

18. The representative of France could not agree with these views. The abandonment of the system of index linking had given rise to substantial difficulties and certain features of this system had had to be re-introduced. It was in fact difficult not to take account of cost factors in price fixing arrangements and thus these factors were still used. The French agricultural system did not represent autarchy and it was normal that production tended to equal and even to exceed consumption. France followed methods which were in use in many countries and her price levels were in fact in many cases below those in effect in other European countries. Agriculture loomed large historically in France; the agricultural population of the country had always been fairly large and would continue to be so unless populations were forced to leave the land or the lands were left fallow. The fact that such measures

had not been adopted had not led to a substantial disadvantage in the industrial sector; indeed, some countries had expressed concern that this was the case. While consumer prices might be too high, the burden to the taxpayer would be considerably heavier if the French Government adopted methods in force in certain other countries. For example, allowing for the much higher proportion of the population employed in agriculture in France as against the 5 per cent in the United Kingdom, a similar level of subsidies to those applied under the United Kingdom system worked out at 300,000 million old French francs. So far as exports were concerned, it was difficult to fix prices in such a way that export surpluses would not arise but over half of the cost of aids to export came from the producers themselves. As regards imports, the prices of these changed so rapidly that they sometimes exceeded the prices for domestic products resulting from the French methods. If the agricultural system was organized in such a way as to make French agricultural prices completely dependent on imports, an extremely heavy burden to the taxpayer would result for agricultural support. There was some possibility that structural improvements of French agriculture might be retarded by the system at present in force, but it was unlikely that these improvements would be materially retarded and if for social reasons a migration-to-industry scheme was imposed, industry would not necessarily be able to absorb the whole of this excess labour force.

19. A member of the Committee referred to the comparison which had been drawn between the French and the United Kingdom systems and expressed his view that, in order to effect a true comparison, it would be necessary for France to remove all import controls before the cost to the French exchequer of maintaining the present guaranteed prices could be determined.

20. A member of the Committee stated that it was clear that in France agriculture was regarded as in a special position from the rest of the economy. There was a high degree of Government intervention in agriculture and this had led in some respects to an isolation of French agriculture from world trends in prices. He enquired to what extent the French authorities would in the future take into account the desirability of increasing consumption. In pre-war years, France had been a fairly large net importer of agricultural products and the calory consumption of the French population was higher in those years than it was at present while the wholesale prices of agricultural products were broadly higher in France than in other Western European countries. In his view, these considerations should lead to the conclusion that, from the narrow viewpoint of the products that France needed to consume, it would be more beneficial to the country if the agricultural system were modified so as to reduce the high national cost of agricultural products. In his view, assistance to smallholdings should be directed towards increasing their productivity so as to make them economic. It was of the utmost importance to avoid the vicious circle of supporting smallholdings by increasingly high general price supports to bolster up uneconomic farms, the income from which would never be sufficient to support decent living standards. The granting of preferential tax treatment to smallholdings would appear to involve the French Government increasingly in subsidizing agriculture.

21. In reply, the representative of France stated that there were several means of assessing calory intake. The fact remained that the overall level of consumption of agricultural products in France had increased except for some items where the decline in consumption indicated that there was a trend toward other higher-quality foods. Despite high retail prices for agricultural products, the prices paid to producers in France were in general lower than in many countries. For eight items out of ten, prices to producers in France were lower than prices paid to producers in the other five countries of the European Economic Community. Furthermore, many agricultural prices had not increased in France since 1957 though there had been increases in other countries. No systematic fiscal advantage was granted to smallholdings, and only a limited number of farmers in France were involved in the arrangements whereby smallholdings were exempt from the dues levied on medium and large holdings for surplus disposal transactions in grain and wine. Since, however, 80 per cent of the farms in France were below 20 hectares in area, their very number represented an important element in French agricultural policy and production on these farms had to be encouraged. Because of the great diversity of climate, types of culture, sizes of holdings, etc., it was not possible to fix a basic unit as in other countries, e.g. the family unit in Sweden for the determination of prices.

22. One member of the Committee enquired whether the agricultural policy objectives of increased production leading to export surpluses were also valid for the French overseas territories. In reply, the representative of France stated that in the great majority of cases, measures were applicable only to the Metropolitan Departments though in the cases of grain and wine measures were applicable in Algeria also.

23. Members of the Committee stressed their view that the present French agricultural systems isolated the French producer and maintained his prices at a higher level than they would be under free trade conditions; this was partly at the expense of the consumer and led to curtailment of consumption with hampering effects on international trade. The basic problem appeared to be the need for structural improvements in such a way that production costs would be lowered. Lower consumer prices would tend to lead to increased consumption which would result in home production being taken up enabling the producer to compete with imports. Members of the Committee stressed their view that more attention should be paid to the problems of structural improvement and to levels of consumption and enquired as to the progress which had so far been achieved in these directions. The representative of France stated that in his view it was unlikely that any country existed where imports of agricultural goods produced by that country could be allowed to enter entirely freely from other countries. He agreed that structural improvements were an essential problem in French agriculture but pointed out that no legal means existed in French legislation for agrarian reform to impose aggregation of holdings. Legal provisions had been enacted in 1958 to regulate the merging of smallholdings to an extent sufficient to support farmers but which would not lead to the development of extremely large estates and so produce a sudden decline in the farming population in an area. Action had also been taken on regrouping of holdings. Amendments to legislation, which had

formerly provided that inherited farm property should be divided among all the beneficiaries, had been enacted. These amendments provided for farm property to be kept in the hands of one beneficiary, but under the Napoleonic Code an indemnity had to be paid to the other beneficiaries and special loans were being granted to finance such indemnities. It was estimated that holdings on nine million hectares of land would need to be regrouped and of this figure the regrouping of three million hectares had been completed by 1959. So far as consumption was concerned, it was difficult to envisage a large-scale increase. Consumption of dairy products might be higher but on the whole there would be switches in consumption rather than any substantial increase overall.

24. Members of the Committee pointed to the great complexity of the arrangements for Government intervention in the agricultural field, the arrangements for price fixing, and the functions of the inter-professional bodies. They also stressed their view that the whole system appeared to be based to a large extent on control of imports of agricultural products. The representative of France agreed that the system was indeed complex; there was no general framework and the régime varied for each product. Prices were fixed by the Government for some commodities; these prices were regulated by intervention bodies financed by the Government, the farmers or the Government and farmers jointly. These inter-professional bodies were legally empowered to operate in the market. In the main their operations involved the taking up of stockpile quantities and intervention to support exports. As regards price fixing, the automatic index linking system had been eliminated. The Government had selected eight agricultural commodities (wheat, barley, maize, sugar beet, beef, pork, eggs and dairy products) representing 60 per cent of France's agricultural revenue and, using 1957 prices as a basis for reference, had fixed target prices for 1961. For most items these target prices represented an increase on 1957 prices, though for maize and wheat the 1961 target prices were below those of 1957. The Plan provided for the target prices to be reached by stages in four years with minimum levels for each year. If desired, the Government could go straight to the target price in one year, and this had happened in the case of wheat. Indicative prices were fixed for each year; for crops, these were fixed before the sowing season. Indicative prices were not the prices paid at the end of the season after harvest. The Government could, depending on the harvest, adjust prices up or down by a maximum margin of 5 per cent. The indicative prices served as a basis for the calculation of "season" or "campaign" prices which, for certain products, were fixed for buyers and sellers. For other commodities floor and ceiling prices which fixed the limits of the intervention bodies, were derived from the "campaign" prices. If prices fell below the floor price, the intervention bodies engaged in stockpiling and promotion of export activities; if prices rose above the ceiling price, increased import and release of stockpile occurred.

25. Members of the Committee enquired as to the factors which now determined the levels of "campaign", "indicative" and "target prices" since the abandonment of the automatic indexing system. They noted that some of the 1961 target prices had been altered from the original levels at which they had been fixed and enquired whether these were merely index changes or changes made as a result of other factors which could now be taken into account such as actual increases in productivity as distinct from increases forecast when target prices were originally fixed. The representative of France stated that since the suppression of the automatic indexing system a whole series of financial measures having repercussions on prices and affecting all branches of industry had been taken. In consequence, "campaign" and "target prices" had been increased but not to the extent of the estimated increases in costs to producers which had resulted from these financial measures. Forecast productivity increases had been taken into account in drawing up the plan, but fluctuations of productivity in the various sectors had not been taken into account. The Government considered it preferable to delay any necessary corrections arising from the evolution of production in the various sectors until the present plan was concluded since it was difficult to change one factor in isolation from all other factors.

26. Members of the Committee considered that the administrative costs of running such a complex price support system must be very heavy and enquired whether there was an overall controlling or co-ordinating authority or whether the interprofessional missions operated independently. They noted that the documentation furnished by the Government of France created the impression that this complex network of schemes operated at very little cost to the French Treasury and was financed almost fully by the producers themselves. Members of the Committee stressed their view that in effect the producer did not pay the cost of the system; the taxes and other fees levied on producers were in fact taken into account in fixing the level of prices to producers. The representative of France agreed on the complexity of the schemes which had come about as a result of the adoption of empirical methods which had been necessary in view of the diversity of agriculture in France and her position as both an exporter and importer; the French authorities were, however, working towards a rationalization of the system. The system did not involve a heavy burden for the Treasury since France did not accumulate such huge surpluses of grains as in the United States. State intervention was therefore limited because of the small quantities involved. All the interprofessional bodies followed the same principles and the Ministry of Agriculture supervised implementation of the schemes, with the Cabinet arbitrating between the Treasury and the Ministry if necessary. The representative of France undertook to give details of the apportionment of the costs of the system between the producer and the Treasury under each individual commodity.

27. Members of the Committee sought clarification of the reference in the documentation to the financing of production of dairy products by a meat transport tax. They also requested information on the costs to the Government of the agricultural régime, including the cost of exports. The representative of France stated that the tax to which reference had been made was a meat traffic tax which was assessed at exit from the abattoir. From this point

meat traffic control was in operation, and no meat could be transported without a meat traffic certificate. Part of the proceeds of the meat traffic tax was used to finance Government intervention in the meat and dairy products industries. As regards the cost to the Government of the agricultural programme, the representative of France stated that the cost of Government intervention on both domestic and export markets was about 47-48,000 million old French francs in 1958, but this figure included that part of the meat traffic tax borne by the producers which was used to finance Government intervention on the meat and dairy products markets. The representative of France stated that it was not possible to give an estimate of the cost of aiding exports, since it was very difficult to determine whether a particular measure related to the domestic or the export market. In reply to further questions as to whether the figure of 47-48,000 million for 1958 included such items as rebate on petrol and tax reductions on fertilizers, the representative of France stated that the total cost of all Government activities in 1958 had been 141,000 million old French francs. Of this total, credits for land improvement including irrigation, electrification and regrouping of holdings had accounted for 24,000 million, subsidy on petrol for 25,000 million, rebate of 15 per cent on agricultural equipment for 32,000 million (for 1959 the rebate had been lowered to 10 per cent and the range of equipment had been narrowed so that the cost had been less in 1959), credits for improvement of quality, standardization, etc., for 55,000 million, incentives for improvement of breeding stocks for 1,300 million, control of epizootics for 6,500 million, governmental intervention on import and export markets for 47-48,000 million, research and training for 2,200 million, extension services 2,200 million and consumer subsidies (now abolished) for 20,500 million, i.e. 1,500 million for milk in Paris and 19,000 million for bread. In reply to further questions about the allocation of the meat traffic tax, the representative of France stated that 5.5 per cent of the proceeds of the tax were devoted to meat industry and 6 per cent to the dairy industry whilst the balance went to the general budget, local government bodies, the agricultural family allowances fund, control of epizootics, etc. In reply to a question about action taken to improve quality of agricultural products at a cost of Fr.frs. 55,000 million in 1958, the representative of France stated that this sum had been used mainly to improve the marketing system by the provision of credits for the erection of better abattoirs, etc.

28. Members of the Committee, while giving recognition to the liberalization measures so far adopted by France, drew attention to the fact that a large number of important items were still subject to import restrictions and expressed their acute disappointment that the French Government appeared to hold out no hope of a programme which would lead to the dismantling of these restrictions. They stressed their view that basically the French system of protection for agriculture depended to a major extent on the maintenance of quantitative restrictions; there appeared to be a strong probability that if imports were completely free the system could not be maintained in its present form and at its present levels of support. Members of the Committee enquired whether details could be furnished of bilateral quotas which were in operation and also whether there was any prospect of the establishment of open global quotas which would be less restrictive to international trade.

29. The representative of France stated that in his view it was unrealistic both to consider that all countries would adopt such agricultural policies as to eliminate fully quantitative restrictions and to request that any one country should act single-handed. Some countries appeared to apply liberal measures in their agricultural policies. These were not however necessarily so liberal as they might at first appear. All price-support systems operated to some extent to restrict imports. It was possible to operate a system which did not involve the use of direct quantitative restrictions but nevertheless, since domestic production would decline unless the domestic producer were receiving protection from the price-support scheme, the effects on outside suppliers was therefore equivalent to the effects of quantitative restrictions. In France, in view of the large area involved, the numbers of the population engaged in agriculture and the technical progress which was still needed, it was not possible to abandon support measures. Despite the difficulties which it had created for her, France had endeavoured to work towards liberalization of imports and would continue to do so. Under the French agricultural system it was possible to abolish quantitative restrictions on some items as had been demonstrated by the liberalization that had already taken place to OEEC countries of imports of beef and eggs. But no assurances or commitments could be undertaken as to future liberalization. Agricultural policies were not capable of substantial betterment in the short term and the most blatant obstacles to trade could only be removed if joint action was undertaken. It was illogical to request that one country should make progress alone and France could not act single-handed. France could make the same request of other countries and could express surprise that other countries did not remove their quantitative restrictions. Agricultural conditions obtaining in neighbouring countries were not as good as those in France, but France understood the difficulties of these countries and sympathized with them. As regards the possibility of the establishment of open global quotas, the French representative stated that he had no authority to commit the French Government to any undertakings in this regard; such action would in any event not be feasible unless France received the benefit of reciprocity. So far as bilateral quotas were concerned, it was not possible to provide details of the ones in operation at the present time. In reply to a further question, the representative of France stated that he did not exclude the possibility of changes in the French agricultural system which could lead to a reduction in the severity of direct quantitative restrictions.

30. Some of the Committee noted that the recent import liberalization measures covered OEEC countries, Canada and the United States but had not been extended to the rest of the GATT members. The representative of France stated that the reasons for not extending the liberalization measures to all GATT members were mainly financial ones. He would, however, inform the competent authorities of the views which had been expressed.

31. One member of the Committee enquired as to any consideration which might have been given by the French authorities as to the agricultural policy that would be adopted when the present five-year programme was concluded and whether any further expansion, the extent of any such expansion and the methods by which it would be achieved, was contemplated by the Government of France. In reply, the representative of France stated that it was impossible to forecast the intentions of the Government in this regard. The present plan had taken more than a year to complete and a study on a future plan was to be undertaken in the near future.

B. Commodities

32. The Committee conducted a detailed examination of the information submitted by France on those commodities on which it had been agreed the consultations should be concentrated. This section of the present report summarizes the main points discussed during the examination.

Meat

33. In response to requests from members of the Committee, the representative of France furnished details of the estimates of production for meat in the Third Modernization and Equipment Plan. For beef the target in 1961 was 1.3 million tons compared with 1 million tons in the reference year 1954, for veal 450,000 tons compared with 360,000, for pork 1.2 million tons compared with 0.9 million tons, for mutton 150,000 tons compared with 110,000 tons and for poultry and rabbit meat 630,000 tons compared with 485,000 tons. Members of the Committee also requested information on the floor and ceiling prices at which the stockpiling agencies purchased or sold meat and which therefore governed the price the producer could secure in the home market; they also requested information on export prices and the amount of direct subsidy on exports since this would give the effects of the French system on international trade. The representative of France stated that quotations in the main market were Fr.frs.391 per kg. floor price and Fr.frs.489 per kg. ceiling price for first quality beef, Fr.frs.331 per kg. floor price and Fr.frs.389 per kg. for second quality beef, and Fr.frs.347 floor and Fr.frs.407 ceiling for first quality pork dressed. So far as exports were concerned, it was difficult to arrive at a representative export price in view of the great variety of types exported. There were no subsidies on the export of beef and pork; export prices were the same as domestic prices plus charges for transportation to the French frontier. Beef exports were important to France and would probably increase in view of the increasing capacity for production. A comparison of volume of exports with customs value might show prices below the floor price which had been quoted for beef exported, but this was because France principally exported forequarters and second quality beef for processing and prices were therefore below the average French price. In reply to further questions, the representative of France stated that only exports of bacon and lard were subsidized. The credits granted to the meat stabilization fund could be used to finance exports of all types of meat but for many years no aid had been granted to exports of beef and pork.

34. Members of the Committee stressed their conclusion that the meat transport tax was not in fact paid by the producer but was a tax for raising revenue part of which went to finance market intervention in meat. They enquired about the role of SIBEV (Société interprofessionnelle du bétail et des viandes) in market intervention, whether this covered control of imports, and how the body was financed. They also asked for information of the "compensated exchange" system under which linked imports and exports of different categories of meat were made. The representative of France stated that SIBEV did not intervene in imports of meat into France; the role of the body was limited to stockpiling and the liquidation of stockpile operations. When exports of meat reached such a level as to have damaging repercussions on prices in the domestic market, exports were ceased and occasionally imports were allowed. These imports were entirely in private hands and there was no intervention in imports by SIBEV. Decisions that imports should be allowed were for the Government and these took into account the stocks held by SIBEV and the level of internal prices except for imports of beef which were liberalized. The finance for SIBEV's operations in the meat market was derived from the proportion (5 per cent) of the proceeds of the meat transport tax which was devoted to meat market intervention. "Compensated exchanges" were made necessary by the pattern of meat consumption in France e.g. France was an exporter of fore-quarters of beef and a marginal importer of hind quarters. One type of transaction that had been operated was the granting of a permit to import hind-quarters on condition that forequarters were exported in compensation.

35. Members of the Committee noted that the forecast production of meat in 1961 represented a 30 per cent increase over 1954 levels. One member of the Committee pointed out that the exports which would probably result from this expansion of production would increase from 80,000 tons in 1958, to about 175,000 tons in 1961. He enquired whether it was the intention of the Government to stabilize exports at this level and whether a breakdown of the composition of exports in 1961, together with the markets for which they were intended, could be provided. In reply the representative of France stated that the forecast of 175,000 tons for exports of meat in 1961 consisted of an estimate of 125,000 tons for beef and 50,000 tons for pork. The markets would probably be neighbouring countries which were the traditional markets of France. The forecast levels of export in 1961 were not excessive since meat exports in 1954 and 1955 were comparable or higher. The export of pork would be mainly of pig-fat and canned pork meat for which there was already a traditional export market. The representative of France stated that he was not in a position to indicate whether the French Government intended to stabilize exports after 1961 at the 1961 level. There were still eighteen months before the completion of the present Plan, and work on the next Plan had not yet started. Decisions made regarding the next Plan would take into account the results achieved on the forecasts contained in the present Plan.

36. One member of the Committee pointed out that, while there had been liberalization of beef imports from OEEC countries, these countries were not large beef exporters. This liberalization measure had not been extended to

countries outside OEEC. In the past a binding of the 35 per cent tariff on beef had been negotiated but, due to the protective import regime, the value of the concession had not been realised. He enquired whether this situation would change and the discrimination inherent in this liberalization to OEEC countries only be removed. In reply, the representative of France stated that the problem would be studied by the French authorities, but although the dangers of extension of liberalization measures might be less for French producers of beef than for French producers of other types of meat, he was in no position to give assurances to the member of the Committee. This problem was faced by a number of European countries and was not peculiar to France. So far as France was concerned, in addition to problems which would be presented by relaxation of quantitative restrictions, the level of the common tariff of the European Economic Community would also present problems since this was considerably lower than the present French tariff.

37. One member of the Committee enquired whether SIEEV also regulated the market for mutton and lamb. He pointed out that his country had also negotiated bindings in the French tariffs on mutton and lamb in addition to negotiation of the tariff on beef and enquired whether, since French production of mutton and lamb was relatively small in relation to the total meat production of France, the French authorities considered that some relaxation on import controls on these commodities would have serious effects on domestic producers. He pointed out that the development of a larger market for mutton and lamb would require a sustained sales promotion campaign. Such a campaign would not be justified so long as the market was opened only suddenly and for brief periods. In reply, the representative of France stated that SIEEV could intervene in the mutton and lamb markets, but they had not done so in the past and it was unlikely that they would do so in the future. Therefore, in practice, the market for mutton and lamb operated under normal commercial conditions. Although the production of mutton and lamb was relatively unimportant in relation to the total meat production of France, nevertheless it was concentrated in poor, mountainous regions and was therefore important to the producers in those regions. It was unlikely that consumption of imported mutton and lamb would increase; some experiments had been undertaken by French importers of mutton, but their supplies had become a burdensome surplus. French consumers were opposed to frozen meat. The member of the Committee who had raised this question stated that in these circumstances he could not appreciate the reasons why the Ministry of Agriculture were concerned about the removal of quantitative restrictions. Furthermore, the production conditions for mutton and lamb in France seemed to justify the use of deficiency payments and not protection by quantitative restriction.

38. Members of the Committee referred to the French export target of 125,000 tons of meat for 1961. It was observed that this export would take place when floor prices had been reached. It was pointed out that in such circumstances the French consumer would be deprived of the opportunity to obtain meat at prices lower than the floor price. Members of the Committee pointed out that, especially in the event that world markets for beef were weak in 1961, French exports would have a damaging effect on those markets. Similarly, if the pork market was weak, the world market would be threatened by the export of 50,000 tons of pork from France in 1961. The representative of France could not agree that world markets for beef and pork would be

threatened by French exports in 1961. He pointed out that 100,000 tons of beef had been exported in 1955 and the 1961 target figure was only 25,000 tons above this and exports of pork in 1958 had been 65,000 tons which was higher than the target figure of 50,000 tons for 1961. The consumer would be able to rely on the stockpiling operations of SIBEV for his supplies if necessary.

Dairy products

39. In response to requests from members of the Committee, the representative of France furnished details of the estimates of production for dairy products in the Third Modernization and Equipment Plan. For milk the target in 1961 was 265 million hectolitres compared with 215 million hectolitres in the reference year 1954, for eggs 11,000 million in 1961 compared with 9,000 million in 1954 and for butter and cheese 40,000 tons in 1961 (20,000 tons of each).

40. Members of the Committee pointed out that the meat transport tax was in the nature of a general tax and that the allocation of part of the proceeds of this tax to the dairy products industry was an allocation of general revenue rather than a matter of an industry bearing its own costs. They noted that France was currently a net exporter of dairy products and pointed out that since an increase in production of milk had been planned there would be an increasingly large surplus for manufacture into butter and cheese for export. This would involve an increased liability on the dairy fund to meet losses on exports. They noted that consumption of butter was still relatively low and they considered that butter might be an example where a change from the present system to a deficiency payments system would be advantageous to consumers, producers and exporters; prices would be lowered, consumption increased and imports could take place. The representative of France stated that exports of butter were already 12,500 tons compared with the target of 20,000 tons for 1961 and cheese exports, which had reached the level of 28,000 tons, already exceeded the 1961 target. The estimates of export levels in 1961 included estimates of increased exports to the French overseas departments, overseas territories and to overseas associated countries. Per capita consumption in France of butter had been 6.6 kgs. in 1934-38, was 8 kgs. in 1957 and had been steadily increasing since that time; France also had access to other forms of fats, e.g. oilseeds. While he could fully appreciate the serious concerns of the countries about surplus disposals, nevertheless it was difficult for any country to take unilateral action.

41. In reply to requests for details of the floor and ceiling prices for butter and powdered milk, the representative of France stated that this winter the floor price for butter had been fixed at Fr.frs. 760 per kg. with a ceiling price of Fr. frs. 850 per kg.; the summer floor prices were well below these levels, Fr.frs. 645 and 715 per kg., respectively. Due to an exceptional drought in 1959 the floor and ceiling prices had been raised by 5 per cent. The floor price for powdered milk was Fr.frs. 155 per kg. with a ceiling of Fr.frs. 171 per kg. In his view, however, the level of the butter price in different countries was not as valid a basis for comparison as the producers' price for milk which in France was Fr.frs. 32 per litre, that is, much the same as in neighbouring European countries.

42. One member of the Committee noted that France was not exporting butter at the present time. However an export aid of Fr.frs.400 per kg. had been given in 1958 which was considerably more than the average world market price of butter that year. French support for dairy products had in fact contributed to the

confusion in the dairy products market in 1958. With the present floor price of Fr.frs.700 per kg. the conclusion must be drawn that the French system of support for dairy products had a limiting effect on internal consumption and on imports and, by acting as an incentive to increased production, would continue to be a threat to the international butter market. In reply the representative of France stated that although an increase in milk production was expected, it would be offset to a large extent by an increase in consumption. The export target of 20,000 tons of butter for 1961 was relatively low (it was in fact not markedly different from the levels of actual exports in the last few years) and most of this would go to the countries of the European Economic Community and the French departments, overseas territories and associated overseas countries.

43. In reply to questions about the financing of the Milk Stabilization Fund and the assistance granted to exports by the Dairy Market Stabilization Fund, the representative of France stated that the Fund was financed by part of the proceeds of the meat circulation tax. Exports of dairy products were directly in the hands of private exporters, but they had to notify the Fund of the loss which they expected to sustain on their exports and receive the Fund's approval before the export could be carried out. In reply to a further question, the representative of France stated that consumer prices of dairy products were fixed by the Government but were not compulsory on buyer or seller.

44. Members of the Committee noted that intervention in the egg market was carried out by the Mutual Guarantee and Agricultural Production Orientation Fund. They enquired whether this was an operating and finance agency, from which source it derived its funds and whether it could intervene in the markets for all agricultural products except those for which a separate market organization existed. The representative of France stated that the Fund was under the authority of the Minister of Agriculture who was assisted in the administration of the Fund by a Committee composed of representatives of the profession (farmers, marketing trades, etc.) and officials of the Ministries of Agriculture and Finance. The Fund was financed by a levy of 12 per cent on the receipts of various funds (the Milk and Meat Stabilization Funds, the Cereals Fund) together with a small subsidy from the general budget. The Fund financed general operations, publicity programmes designed to increase consumption, market news service, etc., and was empowered to operate on all products except for those for which a special fund existed.

45. Members of the Committee pointed out that at present France was an egg importer but that if she achieved her target production of 11,000 million eggs in 1961 she would not only become self-sufficient but would also have a surplus for export. They enquired whether the liberalization of egg imports had meant the disappearance of the system whereby imports were cut off when a certain price level for eggs had been reached in France. The representative of France stated that it was unlikely that the import of eggs would decline materially since the target production for 1961 would in all probability not be realized. The system of cutting off egg imports when a certain price level had been reached in France had not in practice been implemented after liberalization; the situation was, therefore, a delicate one in that the market in France was open to receive imports of subsidized eggs from other producing countries and French producers were not able to cover their costs with the decline in prices. In reply to a question as to whether there would be a return to some form of import control on eggs if these conditions persisted, the representative of France stated that this was a question for the Government's attention and he could not prejudge the issue. In reply to a request from a member of the Committee the representative of France undertook to furnish to the secretariat statistics on production, imports and exports of eggs.

Cereals

46. In response to requests from members of the Committee, the representative of France furnished details of the estimates of production for cereals in the Third Modernization and Equipment Plan. For wheat, the target in 1961 was 110 million quintals compared with 106 million quintals in the reference year 1954, for barley 50 million quintals in 1961 compared with 26 million in 1954, and for maize 25 million quintals in 1961 compared with 10 million in 1954.

47. Members of the Committee enquired whether the import monopoly made its purchases of wheat on a non-discriminatory basis and whether contracts for these purchases were made on a bilateral basis or on an open competitive tender basis in line with the provisions of Article XVII. The representative of France stated that ONIC (Office National Interprofessionnel des céréales) held monopoly on both imports and exports, but left actual transaction to private traders. Depending on market conditions private importers or professional groups for users were authorized and the French purchaser had considerable freedom in the selection of source; in its purchases the ONIC relied on open competitive tenders. There were some tied purchases under which durum wheat was imported into France on condition that France could dispose of soft wheat. Wheat from Tunisia and Morocco was purchased under bilateral contracts with those countries. One member of the Committee expressed his view that it appeared that mark-up on imported soft wheat was between 60 and 80 per cent and was sometimes as high as 100 per cent. He also pointed out that the export subsidy on wheat was about 60-80 of the base price in France. The representative of France stated that, insofar as import mark-ups were concerned it was difficult to be precise since only exceptionally was France an importer of soft wheat. Imports were made on a tender basis and at or near world market prices. The point of reference from which the mark-up was calculated was the sales price of wheat to the millers and the Government was obliged to levy the difference between this price and the world price; this difference fluctuated because of the fluctuations in world prices and the fixed price for the year on the French market. While it might be true that the mark-up had in the past been of the order indicated by the member of the Committee, it was not so at the present time since the average world price for the type of wheat imported by France was Fr.frs.3537 per quintal while the resale price to millers was Fr.frs.4161 per quintal, a difference of approximately Fr.frs.600 per quintal thus producing a 15 per cent mark-up. There was, in fact, a relatively low level of market price in France.

48. One member of the Committee, noting that the 1961 production target for wheat in the Plan was 11 million tons, enquired whether the French Government expected any increase in production after that year or whether they intended to stabilize production at that level. He pointed out that there appeared to be nothing built into the system that could lead to the conclusion that the production would be stabilized at the 1961 level. He also enquired whether it was the intention of the Government to make any alterations to the wheat production, marketing and disposal system. The French representative stated that France had in fact already attained her objectives for 1961. Production of wheat could not be stabilized with the precision with which one could stabilize production of steel. However, there was already some evidence of stabilization of acreage with a slight tendency to reduction and although yields had been increasing over the last ten years there was evidence that this was now levelling off. The Government's economic methods aimed at stabilization of production;

the determination of price ratios between barley and wheat and the charges borne by producers for surplus disposals of wheat and other grains had a bearing on target prices and favoured stabilization. In 1959, charges to producers for surplus disposals of wheat were Fr.frs.9,000 million and the estimate for 1960 was Fr.frs.20,000 million.

49. With regard to the question of possible changes in the system, the representative of France stated that it was difficult to give any but a negative reply. The system was a complex one but was the result of twenty-five years experience and appeared to be satisfactory to the producers although, of course, they were not satisfied with the level of prices the system produced. Although complicated, the system was the simplest that could be devised for crop financing and the whole marketing control system had as one of its aims that of crop financing.

50. One member of the Committee enquired why, if it was desired to stabilize the production of wheat at 11 million tons, it was not considered easier to pay a different, lower guaranteed price over the full range of production rather than to continue the "quantum" system. The representative of France stated that the system of different prices depended on the economic structure and Fr.frs.3,700 per quintal was appropriate for smallholdings and 3000-3400 francs appropriate for large holdings.

51. In reply to questions about the level of prices to the French wheat producers and the charges to producers for surplus disposals to which reference had been made, the representative of France stated that the "campaign" price was Fr.frs.3,800 per quintal for a "quantum" of 68 million quintals but since the producer paid surplus disposal taxes for amounts delivered in excess of the "quantum", the average price received by the producer was less than Fr.frs.3,800. The amounts in excess of the "quantum" were made available to ONIC for disposal as exports and animal feed. The initial price paid was Fr.frs.3,700 per quintal for smallholdings and Fr.frs.3030-3380 to large holdings which the producer received in instalments; the final level of payment to the producer depended on the total quantity delivered. The producer had to bear nearly all the burden of exportable surpluses.

52. Members of the Committee requested information on the extent to which the operations of ONIC were not self-financing and the State's liabilities in connexion with the operations of ONIC. The representative of France stated that this depended on the market, but the main objective was to make the scheme as economic as possible. The cost of exports in 1958/59 was borne fully by the producer since losses on exports amounted to Fr.frs.8,000 million and Fr.frs.9,000 billion was levied from the producers in surplus disposal taxes. The whole situation had to be considered season by season.

53. Members of the Committee repeated the view stressed earlier in the consultations that the cost of exports was not wholly borne by the tax levied on producers for surplus disposal operations since these taxes were taken into account in fixing the level of prices to producers. A member of the Committee considered

that basically the income of ONIC on the export side consisted of (i) a subsidy from the Budget on exports, (ii) profits on imports into France; and (iii) the returns from exports themselves. The amount by which the total of these items fell short of what was needed to pay the full guaranteed price on all production for export was the only element where the producer could be considered to bear some part of the cost of exports.

54. A member of the Committee enquired whether there was a levy on barley producers in some areas to equalize the price of barley. In reply, the representative of France stated that there was a flat disposal tax of Fr.frs.120-150 per quintal which had been increasing over the years. The cost of distribution equalization was borne by the budget.

55. One member of the Committee referred to the Franco-German Grain Agreement under which Germany this year would pay France the world price plus 25 per cent of the difference between the world price and the German price. He asked whether the excess over the world price went to the Treasury or ONIC and, if to ONIC, whether it affected the price paid to the producer. He also enquired as to the effect this might have on French production of wheat and coarse grain. The representative of France replied that the money was paid to ONIC which used it to finance losses on exports and supplementary payments to producers. In view of the market situation, there was no risk of repercussions.

56. Members of the Committee noted that a strong degree of protection existed for the producers of barley and corn, and that the net price of corn to the farmers was higher than that for wheat. In reply, the representative of France stated that the guaranteed base price for barley was Fr.frs.3250 per quintal with Fr.frs.3060 actually paid to the producer. France had been a net importer of corn from Indo-China for many years, but for financial, political and regional considerations, corn production had to be promoted in France and the production target under the Plan had not yet been reached. There had been a large increase in acreage under corn due to three factors, i.e. the use of hybrid seeds which enabled corn to be developed in otherwise unsuitable regions, an increase in demand together with difficulties of securing foreign currency and price incentive which was necessary to develop corn in certain regions.

Vegetable Oils

57. One member of the Committee enquired whether, among the measures envisaged by the French authorities to secure expansion in the production of edible oils in the French "Communauté" the use of subsidies or aid of any kind was planned. He also asked whether campaign prices for rapeseed and groundnuts would be fixed at such a level as to enable exports to take place. In addition, he asked for information on the products for which exports had increased recently and the percentage of that increase and whether the French Government would pursue a policy of increasing exports from her overseas territories, not only to Metropolitan France but also to the other countries of the European Economic Community, through the benefits conferred on the associated overseas territories by the Treaty of Rome.

58. In reply, the representative of France stated that any plans for exports related to the far-distant future. There were no exportable surpluses now and no systematic attempts would be made by France to become an important exporter

of oil seeds. The aim was to increase production of rapeseed and to support the production of peanuts and in particular maintain the proper price relationship between the different sorts of edible oils. Imports in 1957 were 430,000 tons peanuts, 99,000 tons of raw oil and 13,000 tons of refined oil and in 1958 416,000 tons of peanuts and 94,000 tons of refined oil. Imports in 1957 for rapeseed were 39,000 tons seed and 8,500 tons raw oil. Exports in 1957 were only 927 tons of peanuts and 197 tons of crude oil, and 30,000 tons of rapeseed and 8,000 tons of crude oil; in 1958, rapeseed exports were 18,700 tons and refined oil 23,000 tons. In 1959, France had again been a very heavy net importer of peanuts and rapeseed. These figures clearly indicated that there was no definite export policy.

59. One member of the Committee could not agree that the financing of SIOFA was by the producers since the levy on the producer was included in the "campaign" price for oilseeds. He referred also to the joint inter-territorial fund and asked whether direct budget grants were made to the fund. The representative of France stated that there was no subsidy to the industry but a fr.1 to 8 absorption tax was levied. As regards contributions to the joint inter-territorial fund, the State had granted short-term advances on a re-imbursable basis in 1958.

Sugar

60. In response to requests for information on sugar beet production, the representative of France stated that the target for production in 1961 was 130 million quintals compared with 117 million quintals in the reference year 1954.

61. One member of the Committee sought clarification on the aid granted to the export of sugar to the franc zone and other areas. The representative of France stated that the target for refined sugar production was 2.05 million tons; 1.6-1.7 million tons was destined for the French franc area under preferential arrangements and for the balance, the State would assume the cost of 30 per cent of the difference between the internal price and the world price. Contributions by producers to the Export Fund varied and had been very small, a token fr.1 per quintal, over the last two years.

62. A member of the Committee thought that the Governmental policy aim of securing a proper balance between supply and demand of sugar within the French Communauté and the French franc area would be defeated by the encouragement of the export programme for sugar. They also noted that the export target was intended to cover areas that had previously imported from countries other than France which would mean that traditional exporters would have surplus supplies which would be difficult to sell. The representative of France stated that the production capacity would make it possible for requirements to be covered. Sugar beet production was being encouraged and the producers' price for sugar beet would be raised from Fr.frs.6,575 to 6,700. The purpose was not to increase production as such but to make up the deficit in production that existed before and to build up stocks.

63. One member of the Committee noted that France was sometimes a net importer of sugar and enquired whether imports were sold at the internal price and if so, whether any profits arising from sales at this price were used to finance

exports before a levy was raised on the producer. The representative of France stated that imports were sold at the internal price but the difference accrued to the Treasury as an item of general revenue.

Fish

64. A member of the Committee noted that for some fish products liberalization was in force for the OEEC, United States and Canada. However, the overall liberalization for fish products was still limited. He pointed out that imports were carried out under bilateral agreements and under arrangements within the European Economic Community, and enquired whether there was any prospect of quotas being granted on a global basis; this in his view was a reasonable expectation since the protection afforded by the French tariff appeared to be adequate. He enquired also whether exports of salted fish were aided by the French Government and pointed out that France, although an efficient producer of this type of fish, nevertheless maintained import restrictions.

65. In reply to these questions, the representative of France stated that fresh fish was not to be liberalized in the near future since abolition of the import restrictions would lead to an overall change of the French fishing industry. However, some restrictions might be eased in the future but no firm assurances could be given in this respect as such modifications depended on the structural development of the French fishing industry. With regard to the market situation of cod, no change was to be envisaged and no imports into France were to be expected as France was more than self-sufficient. The French representative pointed out that his country's fishing industry was at present in a delicate position and had to be further protected until it had reached full competitiveness. The French fishing industry consisted of two different sectors, namely, the coastal fishing industry (carried out by small fishing units) and the deep sea fishing industry. Of these two, only the latter was competitive on a world-wide basis.

66. On the question of export aids, the representative of France stated that an equalization fund had existed until 1956 but was then discontinued. At present, no aids or governmental funds existed in this field. However, some private funds which worked on a strictly commercial basis were in operation. The participants of the fund could by this means reduce their export prices but he emphasized that these operations were carried out on a private basis and there was no State intervention at all. One member of the Committee suggested that an export aid was granted by increasing the inland prices for certain fish; in reply, the representative of France insisted that no levies were charged and that such manipulations were carried out on a private basis.

67. A member of the Committee noted that several plans for improving the French fishing industry were in operation. He enquired how these plans were to be carried out, whether subsidies would be granted and what were their main objectives. In reply, the representative of France stated that only limited means were available for implementing the plans for improvement and that no subsidies at all were to be granted. The help granted to the fishing industry would take the form of loans permitting investments. Such loans, however, would not be granted directly by the State but by semi-official institutions. To be eligible for a loan, the investor had to be able to provide a quarter of the

amount himself. The credits could take different forms and be granted by different funds. The Productivity Fund would grant credits at an interest rate of 4.5 to 6 per cent for a period of seven to ten years; the State Credit Fund loaned to small and medium sized enterprises at an interest rate of 6½ per cent for ten years, and credits at a rate of 7 per cent were granted by the National Fund. From this it could be clearly seen that the initiative for improving the fishing industry lay with the fishermen. Another feature which had to be noted in respect of the improvement plans for the fishing industry was the initiative taken by some small fishing ports to establish sales co-operatives. These co-operatives enabled the small fishing industries to sell their catch directly on the inland market without relying on the usual rather complicated marketing circuits. Three such co-operatives had been established lately and it was hoped that the general cost of the selling structure would be reduced since fish would be sold directly from the producer to the consumer. As the present marketing system was a very complex one, a new system of more direct marketing was to be introduced by which the selling of fish in large inland consumption areas should be furthered; no subsidy assistance would be granted by the Government.

68. A member of the Committee drew attention to the fact that fairly high prices for fish prevailed in France and that accordingly fish consumption was rather low. A comparison between landed prices and the retail prices in Paris showed a very big difference which could, in certain cases, reach six times the original price. He enquired whether any equalization fund for salted fish was in operation and whether there existed any form of price support on a private or State basis. The representative of France agreed that the difference between consumer and producer prices was considerable. The reasons for such a disparity were to be seen in the very complicated marketing system, but this could not be abolished overnight. On the other hand the French fish market covered many types of fish; not all of these were suited for processing, and the great choice of fish in itself made distribution difficult and expensive.

69. A member of the Committee pointed out that liberalization of fish products by France could lead to increased consumption which was at present held back by high inland prices; a more liberal import system could help the French economy in this respect. The representative of France considered that it should be borne in mind that foreign fish was marketed through the same complex system which was the cause of the high inland prices for French fish. It would therefore appear rather doubtful whether increased imports could lead to a bigger fish consumption. This had partly been proved by the fact that the tariff reductions so far carried out by France for abolishing the customs frontier between the EEC Member States had not influenced fish consumption.

70. The representative of France agreed with the suggestion of one member of the Committee that steps to liberalize trade would lead to improvements in the industry and result in a lowering of domestic prices. He informed the Committee that import duties were lowered and that the Government was assisting the fishing industry to improve their fish and their importing procedures. In response to a question on high profits and rapid amortization in the case of large trawlers, the representative of France explained that such conditions had existed only for the tuna industry but at present the industry was encountering difficulties. He explained that in all other cases, except for the lobster fishery where the situation was considered to be satisfactory, the period of amortization was not at present short.

C. Other Commodities

71. In conclusion, the Committee considered requests that had been made for the inclusion of additional commodities in the consultations with France.

Tallow

72. In reply to a question by a member of the Committee, the representative of France confirmed that the importation of tallow was liberalized from OEEC countries, Canada, the United States, the sterling area and Latin America.

Fresh Apples, Pears and Dried Prunes

73. One member of the Committee enquired about import restrictions, including bilateral agreements, for fresh apples and pears. Some members of the Committee noted with appreciation that since the date when requests had been made for inclusion of fresh apples in the consultation, there had been some changes in the import régime for that commodity, and that with effect from 15 February 1960, liberalization with a minimum price provision would be in operation and there would be no seasonal restriction. (Subsequent information from the French delegation is given at Annex A).

74. One member of the Committee noted that imports of prunes, not conditioned, in sacks, had also been liberalized recently and expressed the hope that this liberalization be extended in the future to other types of prunes. This member enquired as to the criterion for determining the quantity to be imported of types still subject to restriction and whether there were any bilateral quotas in force in respect of this item. The representative of France confirmed that imports of prunes, not conditioned, in sacks, were liberalized from OEEC countries and the dollar area. Only one bilateral quota was in force; this was a quota for 1,500-2,000 tons to Yugoslavia and covered the types that were liberalized.

Tobacco

75. One member of the Committee pointed out that his country was losing its share of the French tobacco market as a larger proportion of French imports were made under bilateral agreements. He enquired as to the criterion for determining the amounts to be imported and the percentage of total imports represented by imports under bilateral agreements. He also enquired whether these bilateral quotas were decided by the State tobacco monopoly and whether the quotas represented commitments to purchases or levels of imports to be achieved if possible. The representative of France stated that tobacco in leaves was purchased under bilateral agreements with Greece, Turkey, Yugoslavia, Hungary, Bulgaria, the Lebanon, the Federation of Rhodesia and Nyasaland and India; other French purchases of tobacco were made from the United States, Mexico, Colombia, Paraguay, Brazil, Argentina, Syria, Andorra, Morocco, Italy and Indonesia. Many of these purchases were actually made in the Netherlands and the Federal Republic of Germany. The quantities purchased annually under each category were determined by the needs of the manufacturers of the Régie.

Purchases under bilateral agreements were 13,045 metric tons in 1958 (66 per cent of total imports) and other purchases were 6,753 metric tons (34 per cent of total imports) and, in 1959, purchases under bilateral agreements were 12,475 metric tons (74 per cent of total imports) and other purchases were 4,298 metric tons (26 per cent of total imports). The bilateral quotas written into agreements were negotiated by the Government; the Régie indicated the quantities which would be necessary but did not participate in the negotiations. The quotas represented objectives only and were in general only partially realized.

ANNEX A

The following information has been received from the French delegation since the adoption of the report by Committee II.

Fresh Apples and Pears

The import regime for fresh apples varies depending on the period concerned. Firstly there is a period between 16 February and 31 July when imports are practically free and imports from countries with freely convertible currencies are unrestricted. However, this rule is subject to the following reservation: during the period between 15 February and 30 April liberalization is subject to a minimum price provision and depends upon the maintenance of the minimum price in the French market. The minimum price is fixed only in respect of some varieties ("Reinettes du Mans" - "Red Delicious" and "Golden") which conform to higher quality requirements. The minimum price is N.Fr.frs.1.30 until 31 March 1960 and N.Fr.frs.1.35 for April 1960. Domestic prices are in fact the average figure for three consecutive quotations at the Halles Centrales in Paris. Secondly, during the rest of the year imports are under quota restrictions. Imports are effected in conformity with the authorizations issued within the framework of quotas fixed on the basis of market requirements and as a result of commitments undertaken vis-à-vis foreign countries. There is only one bilateral agreement which has been signed with Switzerland. This agreement provides for a yearly quota of approximately 3,500 tons of apples.