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## DISPOSAL OF COMMODITY SURPLUSES

### United States Surplus Disposals Activities

(Statement by United States Delegation)

This statement brings up to date past reports on United States actions under its agricultural surplus disposal programmes and on the techniques used by the United States to safeguard its normal commercial trade and that of other friendly countries.

#### United States activities under Public Law 480 in fiscal year 1960

In fiscal year 1960, the value of surplus agricultural commodities programmed under Public Law 480 totalled \$1,345 million. This was some \$130 million more than was programmed in the preceding year, the increase being a result of larger programming under Title I of the Law, which permits sales for local currencies.

Title I sales agreements were concluded with 19 countries to finance the purchase during the year of commodities worth \$995 million at world market prices (excluding ocean transportation costs also financed by the United States Government). It will be seen from the table attached to this report that sales of wheat and flour accounted for over two-thirds of this amount and that the countries with whom the agreements were concluded were all countries which, by reason of the stage of their economic development or other circumstances, have limited foreign exchange resources. It has become the policy of the United States to reserve its Title I authority for sales to such countries, both as a means of helping them and as one means of insuring that its disposals will result in increased consumption, rather than displacing normal commercial trade.

Under Title II of Public Law 480, donations of \$66 million worth of commodities (valued at cost to the Commodity Credit Corporation, excluding ocean transportation costs) were authorized to meet famine or other emergency relief requirements.

Under Title III surplus commodities valued at \$128 million (also at CCC cost) were made available through voluntary relief agencies and intergovernmental organizations for distribution to needy persons abroad.

Finally, agricultural commodities valued at \$157 million at world market prices were exchanged under privately-concluded barter contracts for strategic or other materials to be placed in the United States Government's supplemental stockpile or applied to other special uses of the Government.

The most noteworthy transaction under Public Law 480 in this year was a four-year Title I agreement concluded with the Government of India on 4 May 1960. This agreement provides for the financing, after 1 January 1961, of some \$724 million of wheat and \$87 million of rice additional to the \$241 million of wheat and \$29 million of rice financed in the first year (and included in the totals for fiscal year 1960 reported above). The rate and manner in which future quantities will be shipped will be agreed upon by the governments concerned after 1 January 1961 and will be reviewed annually thereafter. In total the agreement provides for the delivery, over the four-year period, of 16 million metric tons of wheat and 1 million metric tons of rice. It is the first agreement under Public Law 480 specifically designed to help a country build a national food reserve. One-fourth of the wheat and all of the rice will be available for this purpose. Of the \$1,276 million in rupees which the Government of India will pay for the wheat and rice, and for ocean transport costs, about 80 per cent or \$1,076 million will be made available to that Government for economic development projects (one-half as loans, one-half as grants). The new agreement, reinforced by earlier agreements, is expected to contribute to India's progress by substantially increasing its food supply, helping to control rising costs of food, and giving support to the financing of India's development projects. As in the case of previous agreements, measures have been taken to assure that India continues to take its usual imports of wheat and rice from free world sources.

#### United States disposal techniques and safeguards

In its statement to the CONTRACTING PARTIES last year, the United States reviewed in some detail the evolution of its disposal techniques and its safeguards for commercial trade since enactment of Public Law 480 and since adoption of the GATT resolution on surplus disposals. (See SR.15/3.) It was pointed out that procedures for bilateral consultations on proposed Title I transactions had been evolved along lines which protect the United States' need for freedom of action yet also meet the desires of other exporters for advance information on proposed sales and for an opportunity to comment on them; that these consultations are supplemented in the case of particularly significant commodities by regular consultations with other exporters, on a bilateral or multilateral basis; and that the FAO's Consultative Sub-committee on Surplus Disposal, which meets in Washington at regular intervals, is a clearing house for information and discussion of all aspects of United States disposal activities.

This comprehensive framework for prior consultations on United States disposal activities has been further expanded and improved during the past year, particularly through the use of the Wheat Utilization Committee as an

additional forum for a prior exchange of views on proposals involving sales of wheat on special terms. Prior consultations of this sort were a major factor in programme planning leading to the development of the four-year Title I agreement with the Government of India.

During the past year we continued the practice of using only global usual marketing commitments in the case of wheat and of using such commitments as much as practicable in the case of other commodities. Early Title I programmes included only a usual marketing commitment designed to safeguard the trade of the United States. Later it became policy to examine each programme to ascertain if a global marketing commitment would not satisfactorily meet the requirements of Public Law 480 that the usual marketings of the United States be protected. In consultations with other governments on proposed Title I arrangements, it is customary to consult on the nature and size of the proposed normal marketing commitments.

The United States statement last year also discussed the Food-for-Peace Programme, initiated in the spring of 1959 with a meeting of Cabinet Ministers of major wheat exporting countries, and its results to date, notably the Wheat Utilization Committee, which was established to act as a consultative body on surplus disposals, and the guidelines regarding concessional sales of wheat developed by that Committee.

In the past year, the Wheat Utilization Committee sent a mission to Japan, India, and Indonesia to study possibilities of increasing utilization of wheat. The mission was given the task of covering three main areas: the possibilities of increasing the use of wheat to improve nutritional levels, the extent to which wheat can be utilized to further economic development programmes, and the extent to which market development projects might, over time, increase commercial outlets for wheat.

At a meeting in Ottawa, Canada, in July of this year, the Committee began consideration of the mission's report and issued preliminary observations on several aspects of it. The Committee also requested its Working Party on National Wheat Reserves to formulate criteria which it considered should be taken into account in the establishment on concessional terms of wheat reserves in food deficit areas. Noting legislative changes in important countries with respect to wheat disposals, the Committee examined various new proposals relating to programmes of this type including sales of wheat on credit and other arrangements.

During the past year, the United States has been engaged in establishing operational procedures under Title IV of Public Law 480, a new authority enacted in 1959 providing for long-term sales of agricultural surpluses on a dollar credit basis. Although no Title IV agreements have been negotiated as yet, certain "pilot" country programmes are being developed. As in the case of Title I sales, care will be taken in implementing Title IV programmes to

avoid displacement of United States cash sales or disruption of normal patterns of commercial trade among friendly countries. As noted above, the Wheat Utilization Committee has been kept informed of developments in respect of Title IV and the views of other governments have been obtained through this forum.

A final important development, since our last report to the CONTRACTING PARTIES on this question of surplus disposals, has been the resolution on "Provision of food surpluses to food-deficient peoples through the UN system" recently adopted by the UN General Assembly (circulated by the secretariat as document L/1351). This action stemmed from President Eisenhower's announcement to the General Assembly that the United States in furtherance of its Food-for-Peace Programme, was prepared to join with other Member States of the UN in devising a way of making existing food surpluses available to areas of need, based upon the advice and assistance of the FAO. The outcome of this initiative cannot yet be foreseen, but it is hoped that it will result in a further advance in the techniques and safeguards employed by the United States in its surplus disposal activities.

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Market value	Total		Estimated CCC cost including O.T.
										Ocean transportation 1/	Market value including O.T.	
	million dollars	million dollars	million dollars									
Chile.....	--	--	--	2.7	.2	--	--	--	12.9	.2	3.1	4.2
China (Taiwan).....	5.2	--	--	--	--	--	--	--	5.2	.8	6.0	9.6
Colombia.....	23.2	--	--	--	1.1	--	3.4	--	27.7	3.9	31.6	44.7
Spain.....	--	6.5	--	22.5	4.6	--	27.7	--	61.3	2.7	64.0	71.5
Finland.....	--	--	--	1.8	2.4	--	--	2/ .4	4.6	.1	4.7	5.4
Greece.....	--	5.5	--	--	--	--	--	--	5.5	.8	6.3	6.5
India 3/.....	423.3	4.7	52.4	45.2	.5	--	--	--	526.1	3/ 90.8	616.9	996.4
Indonesia.....	--	--	9.9	--	--	--	--	--	9.9	1.4	11.3	16.2
Iceland.....	.6	.5	.1	--	.4	--	.1	2/ .4	2.1	.2	2.3	2.5
Israel.....	11.2	16.4	.6	.8	.2	--	4.2	--	33.4	4.2	37.6	46.9
Pakistan.....	82.9	--	--	1.7	1.0	.4	12.0	--	98.0	16.6	114.6	172.1
Peru.....	7.5	--	2.6	--	--	--	.9	4/	11.0	1.0	12.0	17.6
Poland.....	37.4	9.8	--	.9	--	--	--	--	48.1	5.4	53.5	79.5
UAR (Egypt).....	52.5	3.6	--	--	6.4	--	4.0	--	66.5	7.2	73.7	101.4
UAR (Syria).....	4.2	1.3	--	--	--	--	--	--	8.5	1.4	9.9	13.1
Turkey.....	17.3	1.3	--	--	--	--	13.5	--	32.1	3.0	35.1	47.2
Uruguay.....	18.5	5.2	--	3.8	--	--	--	--	27.5	3.5	31.0	47.2
Viet Nam.....	.7	--	--	1.2	4.7	--	--	--	6.6	.4	7.0	8.1
Yugoslavia.....	--	--	--	11.5	--	.5	5.4	2/ 1.0	18.4	.8	19.2	26.5
<b>Total.....</b>	<b>684.5</b>	<b>5/ 57.8</b>	<b>65.6</b>	<b>92.1</b>	<b>21.5</b>	<b>.9</b>	<b>6/ 71.2</b>	<b>1.8</b>	<b>995.4</b>	<b>144.4</b>	<b>1,139.8</b>	<b>1,716.6</b>

1/ Includes only ocean transportation to be financed by CCC.

Mil. dol.

2/ Finland: Fresh fruit .1  
Dried fruit .2  
Canned fruit .1

Iceland: Dried fruit .1  
Fresh fruit .2  
Canned fruit .1

Yugoslavia: Fresh fruit and canned fruit 1.0

Total 1.8

3/ Includes only the amounts to be financed during the first year of the 4-year agreement signed May 4, 1960: \$241.25 million wheat, \$29.0 million rice, and \$46.75 million ocean transportation. Additional amounts of \$723.75 million wheat, \$37.0 million rice, and \$146.25 million ocean transportation to be financed after January 1, 1961.

4/ Poultry - \$50,000; ocean transportation - \$5,000.

Mil. dol.

5/ Corn 33.0  
Barley 19.7  
Grain sorghums 5.1

Total 57.8

6/ Cottonseed and/or soybean oil.