

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.11/29

10 November 1956

Special Distribution

CONTRACTING PARTIES
Eleventh Session

Working Party on United States
Restrictions

WAIVER GRANTED TO THE UNITED STATES IN CONNEXION WITH IMPORT RESTRICTIONS IMPOSED UNDER SECTION 22 OF THE UNITED STATES AGRICULTURAL ADJUSTMENT ACT

Draft Report of the Working Party

1. The Working Party has examined the Second Annual Report submitted by the United States Government, under the Decision of 5 March 1955, on the import restrictions in effect under Section 22 of the Agricultural Adjustment Act, on the reasons for the maintenance of these restrictions and on steps taken with a view to the solution of the problem of agricultural surpluses, and has reviewed the action taken by the United States under the Decision.
2. The Working Party was disappointed to note that, with the exception of a temporary suspension of the controls on peanuts during the early part of the quota year 1956-57, no further progress has been made towards relaxing the restrictions since the submission of the First Annual Report at the Tenth Session. It was noted, further, that the controls on cotton have been modified to include cotton 1-11/16 inches and longer, but that there has been no intensification of controls over the other commodities - wheat, dairy products, flaxseed and rye - nor have controls been extended to any additional commodities.
3. The Working Party noted that, as in the First Report, the United States Government states that the controls affect only a very small part of the United States imports of agricultural commodities. The Working Party recognized that only a small proportion of the United States import trade in agricultural products was affected by the restrictions, but considered that this took no account of the potential trade in the products to which the restrictions applied, nor of the effect of the restrictions on agriculture in other countries. The Working Party wishes to repeat the comment made by the Working Party at the Tenth Session that what was of particular concern to other countries was the opportunity to sell in the United States market free of import restrictions.
4. Members enquired as to the meaning of the statement in the Report that a solution to the problem of surpluses depends upon action which other producing countries may take as well as action being taken by the United States,

Other members considered that the most burdensome accumulation of surpluses arose in the United States as a result of the stimulation of uneconomic production through high price supports and that therefore the United States has very real responsibilities in respect of the elimination of these surpluses. The United States representative explained that while steps had been taken by the United States to reduce acreage and production, other countries had increased their production of the same crops; he cited cotton and wheat and pointed out that in some countries the production of wheat had been maintained or increased through encouragement by artificial measures. Therefore, in the view of his Government the burden of reducing world surpluses did not rest solely with the United States as measures could be taken also by other countries to alleviate the problem.

5. Members addressed enquiries to the representative of the United States concerning the restrictions still in force, action to reduce new crop supplies, the determination of acreage allotments, the operation of the acreage reserve and the conservation reserve of the Soil Bank programme, the wheat acreage reserve targets and the new arrangements for wheat exports, the production and consumption of dairy products in the United States, the criteria for determining the types of cheese placed under quotas, the price support system, the determination of parity prices, etc. Members expressed appreciation of the large amount of information that had been supplied, both in the Report and at the meeting of the Working Party and noted with satisfaction that, as proposed in last year's Report, the United States Government had furnished additional information on the trends of production and consumption in the United States and of purchases and stocks of the Commodity Credit Corporation in respect of the products subject to restriction.

6. Members of the Working Party were interested in the progress made in the special studies of the price support programmes and surplus disposal programmes being undertaken by the United States Government, and enquired whether the study of the parity price formula referred to in the Report would take into consideration developments since the 1910-1914 base period used in computing parity prices. The United States representative said that, although still related to that period, present parity prices are based in large part on price relationships during the last ten years. The study was being undertaken in the hope of eliminating any inequities of the present system and to reflect more accurately present-day conditions. Members considered that a realistic manipulation of price support levels is essential to achieve the object of rationalizing agricultural production and were, therefore, the more concerned to note instances of recent increases in price supports. The United States representative, however, stated that these increases had been granted in compensation for the delay in getting the Soil Bank programme under way, and they would be taken into account in the studies now proceeding.

7. In its examination of the Report the Working Party devoted special attention to the section dealing with the recently instituted Soil Bank programme and to the sections dealing with wheat and dairy products. The Working Party discussed the methods by which acreage reduction under the Soil Bank programme would be made effective and the decreased output that could be expected to result

The Working Party noted that positive measures were being undertaken by the United States Government to meet the problem of surpluses, but was of the opinion that the reduction of acreage alone might not effect a reduction in production as there was no limit to the production on the land that remained under cultivation, since this would tend to be the best land and would probably be cultivated more intensively. The United States representative explained that the acreage restrictions were administratively the most practical method of limiting production and had been effectively applied as is evident from the reduction of about 20 per cent in the production of wheat; as stated in the Report a further significant reduction of 200 to 250 million bushels a year is anticipated as a result of the Soil Bank programme. Moreover, flexible price supports still remained among the main farm programmes of the United States Government and could be expected to operate more effectively if a better balance between supply and demand were achieved. Several members pointed out that, in so far as the six commodities which were subject to restrictions were concerned, the Soil Bank programme was only designed to reduce production in cotton, wheat and peanuts and they sought information on the effects of the programme with respect to rye, flaxseed and dairy products. The United States representative pointed out that the acreage reserve programme which applied directly to the six basic commodities and the conservation reserve programmes of the Soil Bank which applied to all crop land must, by definition, have noticeable effects on the production of these commodities as they would reduce the availability of land for the production of these and other crops. In concluding its discussion of the Soil Bank programme the Working Party noted that the full effects on new crop production would not be felt before 1957. The Working Party took note of additional information furnished by the United States representative, regarding safeguards applied to ensure that land which is taken out of production under Soil Bank programmes is not applied to the production of other commodities which would aggravate the situation in other agricultural sectors. The Working Party appreciated the action taken by the United States Government to prevent such practices.

8. With reference to the wheat acreage reduction target of 15 million acres under the Soil Bank programme, the United States representative informed the Working Party that arrangements had already been made for a reduction of 10 million acres in the winter wheat plantings. In reply to a question as to whether this meant that the target would be undersubscribed, since the deadline for registration had been reached, the United States representative said that each State had its acreage limitations, which were voluntarily subscribed, and to the extent that any State was undersubscribed that portion would be made available to other States. Therefore some further registrations were expected to take place. In addition participation in a programme for the reduction of spring wheat plantings had not yet been indicated. With further reference to wheat, members enquired about the new arrangements whereunder a larger part of wheat was to be handled by private exporters and the likely

effect on the volume of exports. In reply the United States representative said that since 4 September 1956, cash payments to exporters had ceased and the export payment, though computed in the same manner, was now payable in the form of wheat. As a result, more export trade would be channelled into exports from free-market supplies, with less direct movement of C.C.C. stocks, but it was not anticipated that the programme itself would not affect the volume of exports. Members referred to the statement in last year's Report where authority was to be sought from Congress to enable the United States Government to sell wheat for animal food in order to reduce the surplus, and enquired whether that authority had been granted. In reply the United States representative said that this authority had not been obtained.

9. The Working Party noted that though there had been a substantial decline in stocks of dairy products import quotas were unchanged. Moreover, production had been maintained and the Working Party took note of the fact that the positive measures being taken to reduce surpluses of other commodities would not directly affect the production of dairy products. Members put forward the view that a reduction in price paid by consumers would lead to increased consumption and pointed out that despite the fact that the support level was lowered the prices paid by the consumer had not fallen. The United States representative replied that this matter was of grave concern to both the consumer and producer in the United States and did not directly relate to price support. All too frequently prices to farmers fell but the cost to the consumer remained high, for example the price support on dairy products had been reduced but the full effects of this measure on consumers' prices had not been realized.

10. Some members felt it difficult to understand why import quotas were established for certain types of cheese while other types were not restricted, and sought an explanation of the criteria used in determining present controls. Certain members remarked that 60 per cent of cheese imports into the United States were free of quota restriction and, since the restrictions covered only some types of cheese that are produced, they must conclude that the restrictions contained protective elements and were not directly related to the price support programme. The United States representative explained that the restrictions were not established to protect the cheese producers but were maintained in accordance with the recommendations of the Tariff Commission which had found that certain types of cheese were being imported in such quantities and under such conditions that the absence of restrictions would result in domestic capacity being utilized to increase the production of alternative products such as cheddar cheese and dried skim milk; this would increase the surpluses of these commodities and interfere with the price support programme for milk and butter fat. Further, he stated that the Tariff Commission was watching the situation and, should the circumstances warrant it, would conduct a public enquiry to see whether there should be any changes in import quotas. Several members observed that both the basis of discrimination between types of cheese and the quantitative limitations fixed for imports were matters of the gravest

concern to certain producing countries, and hoped that the United States Government would pay particular attention to the possibility of affording increased opportunities for exports to the United States market. Further, the Working Party points out that, in the field of dairy products production of which is unlikely to be affected by the Soil Bank programme, the fundamental question of price support levels is of supreme importance. Despite the improvement in the stock position there seems little prospect of relief from import quotas in the near future, and the Working Party is convinced that a most searching review of the present position and policy is called for if there is to be any improvement in the situation.

11. The Working Party also took note of the position in regard to cotton, and noted in particular that the supply situation had not yet been reduced to the stage where it was possible to point to an overall reduction in carryover. The United States representative drew the attention of the Working Party to the measures being taken to bring about a better balance between the supply and utilization of cotton, and in particular to the application of an acreage reserve programme to cotton under the Soil Bank Scheme. The Working Party expressed the hope that these measures would in fact be effective in reducing United States cotton production to a level consistent with normal demand.

12. The Working Party also considered the question referred to it by the CONTRACTING PARTIES, at the request of the delegation of the Kingdom of the Netherlands, concerning the Resolution of 5 November 1954 on the United States import restrictions on dairy products. A number of members indicated that they continued to suffer serious damage from the application of import restrictions on dairy products. In view of the indication given by the Government of the Netherlands that concessions granted by the United States Government have been impaired, and as the restrictions have not been relaxed since the date of the Resolution of 5 November 1954, the Working Party agreed to recommend that the Government of the Netherlands, having recourse to the provisions of Article XXIII, be authorized to suspend the application to the United States of its obligations under the General Agreement to the extent necessary to allow it to apply a limit of 60,000 metric tons on imports of wheat flour from the United States during the calendar year 1957.