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GENERAL AGREEMENT ON TARIFFS AND TRADE

Group on Cereals

NOTES ON CEREALS' POLICIES

In the attached notes some basic data have been assembled regarding the cereals policy of Argentina, Australia, Canada, Japan, Switzerland and the United Kingdom. For practical reasons no notes have been prepared in respect of the EEC and the United States. For the EEC reference may be made to the Report of Committee II on the consultation with the EEC (L/1910) and the description of the EEC Common Cereal Policy in document COM.II/134. As regards the United States reference may be made to the ninth and tenth annual report by the United States Government under the decision of 5 March 1955 (L/2081, L/2340) and the United States notification of its wheat and feed grain legislation and programmes (L/2433).

ARGENTINA

The Government intervenes through the Junta Nacional de Granos to guarantee minimum support prices for cereals. The level of the minimum support prices is governed by various factors, the most important of which is the level of prices on the international market. This is due to the fact that the Government does not subsidize grain exports and must therefore ensure that on the home market it operates within price limits that will be conducive to the disposal abroad of exportable balances.

The following table shows the trends for the floor prices in recent years:

	<u>Wheat Grade No. 1</u>		<u>Maize</u>		<u>Oats</u>	<u>Barley</u>	<u>Rye</u>
	<u>Semi-hard</u>	<u>Hard</u>	<u>Hard Dent</u>				
	Argentine pesos per 100 kgs.						
1960/61 ¹	370	380	300	280	240	250	240
1961/62 ¹	420	430	340	315	240	250	240
1962/63 ²	630	650	480	460	380	420	400
1963/64 ²	800-860	820-880	600	560	480	550	..

¹ In bags, on wagon, in port.

² In bulk, on wagon, in port.

For the 1962/63 crop the Junta Nacional drew up a rising scale of compensation payments for wheat offered by growers from 1 April 1963 onwards as a practical means of permitting marketing of grain at levels higher than the official guaranteed minimum. These scales started with a premium of 10 pesos per quintal for produce sold to the State Agency between 1 and 15 April 1963. This amount increased each subsequent fortnight and was fixed at the end of the buying period (31 October 1963) at 100 pesos per quintal. For the crop year 1963/64, wheat prices have been fixed at a progressively higher level, increasing from 820 to 880 pesos per quintal for Durum wheat, and from 800-860 pesos for semi-hard wheat.

Sources: FAO, National Grain Policies, 1963, page 123.
FAO, National Grain Policies, 1964, page 94.

AUSTRALIA

The current Wheat Industry Stabilization Plan has been in effect since 1 December 1963. Operation of the stabilization arrangement involves the building up of a fund contributed by growers from a levy on exports when the average price exceeds the guaranteed return, and payments from the fund to producers if the average price falls below the guaranteed return. If the fund becomes exhausted, the deficiency is met by the Commonwealth Government. The Commonwealth Government guarantees to producers returns equal to cost of production in respect of exports up to 150 million bushels per annum (100 million bushels under the preceding five-year Stabilization Plan).

Wheat Prices

f.a.q. in bulk, f.o.r. ports
Sh.d. per bushel (I) and US\$ per metric ton (II)

	<u>Guaranteed Price</u>		<u>Home Consumption Price¹</u>		<u>Pool Returns²</u>		<u>Average Export Returns³</u>	
	I	II	I	II	I	II	I	II
1960/61	15/2	62.42	15/4	63.11	13/8	56.24	13/5	55.21
1961/62	15/9	64.82	15/10	65.16	14/5	59.33	14/4	58.99
1962/63	15/10	65.16	15/11½	65.67	13/11	57.27	13/7	55.56
1963/64	14/5	59.33	14/7	60.02	13/9*	56.59*	14/5*	59.33*
1964/65	14/7	60.02	14/8	60.36

* Estimate.

¹The guaranteed price plus the loading to cover the cost of shipping wheat to Tasmania.

²Gross realizations less Board's expenses and including Stabilization Fund contribution subject to deduction of individual growers' freights from farm sidings to ports.

³On an f.o.r. ports basis; excludes any Stabilization Fund contribution.

Stabilization payments have been as follows:

£8.9 million in respect of wheat of the 1960/61 season
£7.3 million in respect of wheat of the 1961/62 season
£11.3 million in respect of wheat of the 1962/63 season

Since the 1959/60 season the Fund is exhausted. The Commonwealth Government has met in full the subsidy payments made since that time.

As regards barley, producers in four States must deliver all commercial supplies to their respective State Marketing Boards.

Each Board sells barley in the domestic and export markets for the best price it can get, and each season's gross receipts are pooled. The farmers each year receive payments in advance of the complete disposal of the year's crop, by the Board.

Ultimately, the total net proceeds which remain from the year's pool after payment of all the costs are distributed to the farmers in proportion to the quantities and in accordance with the variations and grades of the barley they delivered. The farmers are paid different prices per bushel which are related to the varying prices received by the Board for the different varieties and grades of barley in the domestic and export markets.

Freight on wheat to Tasmania

Provision is made for a levy on the price of all wheat sold for consumption in Australia to the extent necessary to cover the cost of transporting wheat from the mainland to Tasmania in each season of the Plan.

Premium on Western Australian wheat

A premium is paid from export realizations on wheat grown in Western Australia and exported from that State, in recognition of the natural freight advantage enjoyed by Western Australia owing to its proximity to the principal overseas markets for wheat. The premium is equal to the amount of the actual freight advantage shown by Western Australia up to a maximum of 3d. per bushel (US\$1.05 per metric ton).

Source: Notification of subsidies - L/1948/Add.19.
Notification of subsidies - L/2326.
FAO, National Grain Policies, 1963, page 195.
FAO, National Grain Policies, 1964, page 197.

CANADA

Under the Agricultural Stabilization Act, guaranteed support prices are established for agricultural commodities. These prices are a certain percentage of the average price of that commodity for the previous ten years (base price). For wheat, oats and barley not under the jurisdiction of the Canadian Wheat Board the minimum level of the guaranteed price is 80 per cent of the base price. Since the price support programme was initiated under the Agricultural Stabilization Act in 1958, no payments have been made on these grains.

Specifically excluded from the Agricultural Stabilization Act are grains which come under the control of the Canadian Wheat Board. These grains are wheat, oats and barley produced in a designated area. Grains under the jurisdiction of the Canadian Wheat Board account for about 90 per cent of the total Canadian grain production.

All wheats, oats and barley marketed through the Canadian Wheat Board are placed in annual pools, with each grade of these grains being accounted for separately within the pools. At a date prior to the commencement of each crop year an initial payment is set at which the Board will purchase the basic grades of wheat, oats and barley from producers throughout the crop year in question.

If the net return on sales should be insufficient to cover the initial payment the deficit would be paid by the Government. Since before World War II the initial payments have always been below the net realized sale prices and have not involved the Government in a payment to producers, except for 1956/57 when the Treasury sustained a loss of about CAN.\$2 million in respect of oats.

When the producer sells grain to the Board in return for an initial payment he receives at the same time a participation certificate which provides a detailed record of the grain delivered to the Board. This participation certificate entitles the producer to share, in proportion to the quantities and grades delivered by him, in any net surplus realized by the Board on its marketing operations. Such participation is in the form of interim and/or final payments.

Canadian Wheat Board
Total Payments to Producers

<u>Crop</u>	<u>No. 1 Manitoba</u>		<u>No. 3 C.W.</u>		<u>No. 2 C.W.</u>	
	<u>Northern Wheat</u>		<u>Six Row Barley</u>		<u>Oats</u>	
	In Store Fort William/Port Arthur					
	CAN.¢ per bushel (I) and US\$ per m.t. (II)					
	I	II	I	II	I	II
1960	179.5	68.07	104.5	49.53	74.2	49.65
1961	190.6	70.03	127.7	58.65	77.0	49.93
1962	187.1	64.28	113.2	48.61	71.8	43.53

Crop failure assistance

Under the Prairie Farm Assistance Act 1939, a programme of crop failure assistance was authorized. Payments are made to all farmers in areas eligible by reason of low yields or impossibility of seeding, at rates ranging from \$2 to \$4 per acre of cultivated land, subject to a maximum of 200 acres per farm. The rate of payment varies with the degree of crop failure. A minimum payment of \$200 per farm is provided for. A 1 per cent levy is deducted from each producer's sale price of western wheat, oats, barley, rye, rapeseed or flaxseed sold through licensed agencies. Proceeds of this levy are credited to a special fund out of which the awards are paid. If the amount in the fund is inadequate to defray the cost of the awards, the Federal Government makes up the deficit.

The Federal contribution required in addition to the amount in the fund to meet the cost of awards was:

CAN.\$ 9.0 million in the 1960/61 crop year
CAN.\$ 47.7 million in the 1961/62 crop year
CAN.\$ 6.9 million in the 1962/63 crop year

Acreage payments to western grain producers

In recognition of the financial difficulties of western grain farmers during the last few years because of poor crops and low world prices, the Federal Government made acreage payments in 1958, 1960 and 1961 on the basis of \$1 per cultivated acre up to a maximum of 200 acres per farmer, based on the acreage shown in the producers Wheat Board Permit Book. Cost of the payments was about CAN.\$40 million each year.

Storage of temporary wheat reserves

Due to the accumulation of abnormally large wheat stocks from several successive bumper crops, the Federal Government from 1 August 1955 has paid storage and interest costs on Canadian Wheat Board holdings of wheat in excess of basic stocks of 178 million bushels at the beginning of a crop year. The 178 million bushel figure is the fifteen year average of stocks in store before the huge 1951 crop. The legislation will lapse when stocks are reduced to 178 million bushels.

The Federal Government pays to the Canadian Wheat Board an amount computed by multiplying the quantity of wheat in excess of 178 million bushels held by the Board at 1 August (beginning of the crop year), by the current carrying charge rate per bushel, for each day in the crop year. This Federal payment is added to Board receipts from crop year sales of wheat, which comprise the "pool" from which supplementary payments are made to producers at the end of that annual "pool" period if returns warrant it.

Total Payment of Carrying Charges

<u>Crop Year</u>	<u>Amount</u> CAN.\$/million	<u>Excess Stocks</u> m./bushels	<u>Averages per bushel</u>	
			<u>in total stocks</u> CAN.¢/bushel	<u>in excess stocks</u> CAN.¢/bushel
1960/61	48.2	430	7.9	11.3
1961/62	48.8	262	11.1	18.6
1962/63	28.5	145	8.8	19.6

Feed freight assistance

In order to assist livestock producers in Eastern Canada and British Columbia the freight charges on western grains and mill feeds used by them for livestock feed are adjusted. The subsidy amounted to:

CAN.\$19.1 million in 1960/61
 CAN.\$17.5 million in 1961/62
 CAN.\$14.5 million in 1962/63

Sources: Notification of subsidies - L/1948/Add.12.
 Notification of subsidies - L/2326.
 FAO, National Grain Policies, 1963, page 94.
 FAO, National Grain Policies, 1964, page 63.

JAPAN

Under the Food Management Law the Japanese Government is obliged to purchase all domestically-produced wheat and barley, except farmers' own retention, at fixed prices. The Government purchasing prices are determined based on the parity price of wheat and barley so as not to be lower than the parity price based upon the average purchasing price of wheat and barley produced in 1950/51.

Government Purchasing Prices

Net prices of Standard Grades of Wheat, Barley and Naked Barley

Yen per bale (I) and US\$ per metric ton (II)

	1960		1961		1962		1963		1964	
	I	II	I	II	I	II	I	II	I	II
Barley ¹	1,666	88.15	1,751	92.65	1,844	97.57	2,017	106.90	2,108	111.54
Naked Barley ²	2,237	103.56	2,376	110.00	2,503	115.88	2,695	124.75	2,818	130.47
Wheat ²	2,149	99.49	2,283	105.69	2,404	111.30	2,594	120.05	2,712	125.55

¹Bale of 52.5 kg.

²Bale of 60 kg.

The Government selling price is determined to stabilize consumers' family living with due consideration to their family budget, the price of rice and other economic factors. Because of annual increases in the Government purchasing price and the maintenance of consumer prices of wheat and barley products, consumer prices are lower than the purchasing prices. As the result thereof deficits in the Food Management Special Account are covered by the inventory finance.

Wheat and barley are imported by the Food Agency through registered importers on the basis of an import plan prepared for every fiscal year in line with domestic requirements and availabilities.

Sources: Notifications on subsidies L/1948/Add.10
 Notifications on subsidies L/2326/Add.5
 FAO, National Grain Policies, 1963, page 142

SWITZERLAND

Since the entry into force of the new Federal Law on wheat in 1960, the import of bread wheat has no longer been a State monopoly and is subject to no quantitative restrictions. The State monopoly has been maintained for domestic wheat. The Wheat Administration buys domestic good quality bread wheat at prices which cover average costs of production and which are fixed by the Federal Council.

Base Price for Grains Delivered to the Government

Sw. francs per 100 kg. (I) and U.S.\$ per metric ton (II)

	1959/60 - 1961/62		1962/63	
	I	II	I	II
Wheat - Class I	69.00	159.73	71.00	164.36
Wheat - Class II	68.00	157.42	70.00	162.05
Wheat - Class III	66.50	153.95	68.50	158.58
Wheat - Class IV	63.50	147.00	65.50	151.63
Wheat - Class V	60.00	138.90	62.00	143.53
Meslin - Class I	61.75	142.95	62.75	145.27
Meslin - Class II	58.50	135.43	59.50	137.74
Rye	57.00	131.96	57.00	131.96
Spelt	62.00	143.53	64.00	148.16

Wheat is sold to commercial millers at prices corresponding to the cost price of foreign wheat of the same quality. The difference between the prices paid to producers by the Federal Wheat Administration and the proceeds of the sale of domestic wheat is charged to the Government's account. Millers are required to take over domestic wheat up to a certain percentage of their total requirements. This percentage amounted to:

51 % in 1962
66.46 % in 1963
62.54 % in 1964

	Average price paid to growers of bread wheat		Difference between purchase price and re-sale price to millers	
	Sw.frns./ 100 kgs.	US \$ per m.t.	Sw.frns./ 100 kgs.	US \$ per m.t.
1960	64.79	149.99	26.85	62.16
1961	63.33	153.55	27.13	62.80
1962	67.90	157.19	27.69	64.10

A producer who uses home grown wheat on his farm is entitled to a milling bonus. The bonus is fixed in such a way that bread manufactured by the producer costs him about as much as he would pay at a bakery. The milling bonus, varying in accordance with the altitude of the farm, amounted to:

- 15 - 31 Frs. per 100 Kgs. in 1960 and 1961
- 16 - 32 Frs. per 100 Kgs. in 1962 - 1965

Inasmuch as very little feed grain grown in Switzerland comes on the open market, the Government does not maintain price supports. However, price supplements are levied on lower priced imported feed grain, so as to equalize the price of domestic and imported fodder, and thus to maintain the national production in being.

As from 1 January 1963 price supplements have been as follows:

	Sw.frs. per 100 Kgs.	US\$ per m.t.
Wheat flour	0.70	1.62
Durum wheat	1.70	3.93
Wheat *	5.00	11.57
Oats *	4.00	9.26
Barley *	7.00	16.20
Maize	5.00	11.57

* for stock feed

To encourage the growing of feed grains cultivation bonuses are granted. These allowances consist of a basic bonus and of supplementary bonuses for the mountain zone. They are fixed annually before the spring sowings, the cost being covered by the price supplements levied on imported fodder. The amount of the basic cultivation bonus was 300 frs. per hectare in 1960 and 400 frs. per hectare in 1961 and 1962. Farmers in mountain areas were given a supplementary bonus of 60-120 frs. per hectare in 1960 and 80-160 frs. per hectare in 1961 and 1962, according to altitude.

Since 1 January 1961 allowances have been paid to importers of fodder who purchase domestic feed grains from a merchant or producer. These subsidies cover transport and marketing costs for domestic feed grains. The allowance is fixed at 25 frs. per ton. The allowance for transport costs varies according to distance, the average rate being 6.60 frs. per ton.

Sources: Notification of Subsidies - L/1948/Add.20.
FAO, National Grain Policies, 1963, page 68.

UNITED KINGDOM

The United Kingdom Government annually determines guaranteed prices for cereals.

Guaranteed prices for wheat, rye, barley and oats 1960/61 - 1964/65

	1960/61		1961/62		1962/63		1963/64		1964/5	
	I	II	I	II	I	II	I	II	I	II
Wheat	1.6.11	74.18	1.6.11	74.18	1.6.11	74.18	1.6.6	73.06	1.6.6	73.06
Rye	1.1. 7	59.47	1.1. 7	59.47	1.1. 7	59.47	1.1.7	59.47	1.1.7	59.47
Barley	1.8. 9	79.23	1.7. 7	76.00	1.7. 7	76.00	1.6.8	73.51	1.6.8	73.51
Oats	1.7. 2	74.86	1.7. 5	75.55	1.7. 5	75.55	1.7.5	75.55	1.7.5	75.55

The guaranteed price for wheat is an average price subject to variation seasonally. Because the marketings of wheat cannot be accurately forecast, producers' average returns under the guarantees in any year, may be a little more or less than the guaranteed price. The guaranteed price for barley is subject to arrangements whereby, to encourage a more even spread of marketings over the season the deficiencies payments are subject to premiums for barley delivered, after sale, in the later months of the cereal year and deductions for barley delivered in the early months of the year.

If the average prices for home-grown wheat, rye, barley and oats fall short of the guaranteed prices deficiency payments equal to the differences are paid to each grower. For wheat and rye the deficiency payment is made on the basis of quantities sold - the wheat payments being calculated on the rising seasonal scale of standard prices. For barley, oats and mixed corn price deficiencies are converted to acreage payments.

The average rates of payment per unit were:

	1960 crop		1961 crop		1962 crop		1963 crop		1964 crop	
	£. s. d.	US\$	£. s. d.	US\$	£. s. d.	US\$	£. s. d.	US\$	£. s. d.	US\$
	per cwt.	per m.t.	per cwt.	per mt	per cwt.	per mt	per cwt.	per mt	per cwt.	per mt
Wheat	-/8/0.8	22.25	-/5/2.8	14.43	-/9/5.2	26.00	-/5/5.75	15.10	-/5/9.2	15.89
Rye	-/1/0.9	2.95	-/-/4.5	1.03	-/-/0.3	0.07	-	-	-	-
	£. s. d.	US\$	£. s. d.	US\$	£. s. d.	US\$	£. s. d.	US\$	£. s. d.	US\$
	per acre	per ha	per acre	per ha	per acre	per ha	per acre	per ha	per acre	per ha
Barley	10 8 6	72.13	8 11 4	59.27	9 1 4	62.73	7 10 3	51.98	7 3 2	49.53
Oats and mixed corn	7 8 10	51.49	7 3 1	49.50	6 12 1	45.69	7 6 7	50.71	7 10 2*	51.95*

* Estimated

With effect from 1 July 1964, the United Kingdom Government introduced new guarantee arrangements for wheat and barley. These incorporated standard quantities and target indicator prices.

The standard quantity for wheat for 1964/65 is 3.3 million long tons and that for barley 6.5 million long tons. In order to relate production to the standard quantity, the production of both wheat and barley in any year will be calculated by multiplying the acreage in that year by a three-year average of yields (weighted by acreage in those years) including the November estimate of the year in question. In any year when the wheat acreage is abnormally low, a crop adjustment formula will be used to make a suitable reduction in the wheat standard quantity and a corresponding increase in the barley standard quantity.

Target indicator prices are related to the minimum import prices for the appropriate grains after allowing for the recognized handling differentials, quality differences and current marketing conditions of the United Kingdom crop.

For the 1964/65 crop the target indicator prices were fixed at 20/- per cwt., (US\$ 55.11 per metric ton) for wheat, and 19/- per cwt. (US\$ 52.36 per metric ton) for barley.

When production is above the standard quantity, the price deficiency is the difference between the guaranteed price and either the average market price for the cereal year or the target indicator price, whichever is the higher. The deficiency payment payable to farmers is then arrived at by reducing the price deficiency in proportion to the excess of production over the standard quantity.

When production is within a range of 3.2-3.3 million long tons for wheat or 6.3-6.5 million long tons for barley (subject to any adjustments consequent on the crop adjustment formula), there will be no proportionate reduction of the price deficiency, but if the average market price over the cereal year is below the target indicator price, the target indicator price mechanism will operate progressively to reduce the price deficiency according to the level of production within the range.

When production is below the standard quantity and the average market price over the cereal year exceeds the target indicator price, 25 per cent of this excess will be added to the price deficiency, i.e. guaranteed price less average market price, in arriving at the deficiency payment.

Sources: Changes in Agricultural Policies - United Kingdom - COM.II/138 -
Report of Committee II on the consultation with the United Kingdom -
L/2388.
FAO, National Grain Policies, supplement No. 3, 1961, page 35.
FAO, National Grain Policies, 1963, page 76.
FAO, National Grain Policies, 1964, page 53.