

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Group on Cereals

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The following paper has been received from the United Kingdom delegation in connexion with the discussion on item (ii) of document TN.64/Ce/W/1.

Projections of Production and Consumption of Cereals in the United Kingdom to 1970

1. In accordance with the request made at the July meeting of the Cereals Group, the United Kingdom has examined the prospects for the production and consumption of cereals in 1970 and has attempted to forecast the range of possibilities.
2. At the last meeting, the United Kingdom delegation drew attention to the difficulties inherent in making projections five years ahead and emphasized that any forecasts that could be made would necessarily be subject to a considerable margin of error. For this reason, the delegation stated that the forecasts would have to be in fairly general terms; and the ranges that can be given for both production and consumption are necessarily wide.
3. In attempting these forecasts, account has to be taken of the part that agriculture is expected to play in the National Economic Plan which has just been published. The Plan does not, however, set specific targets for the production of crops and livestock. This must depend on such factors as the growth of demand, the technical and economic possibilities of raising production and developments in world markets. The consumption of cereals in turn will depend on how quickly and to what extent livestock production can be expanded. For the purpose of the present exercise, the effect of the Plan has been to raise somewhat the range of possible increases in production and consumption of cereals. It must be emphasized, however, that the upper end of the range of production should be regarded as the technical limit of possibilities given the required financial and other resources rather than as the economic target for expansion.

Production of cereals

4. Production of cereals in the United Kingdom is likely to continue to increase up to 1970 largely because of increasing efficiency and especially of higher yields. Yields are expected to increase at the rate of about $1\frac{1}{2}$ per cent per

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annum. Barley will continue to replace oats though the rate of substitution will probably slow down. The recent tendency for the total acreage under cereals to expand is also likely to continue particularly at the expense of land under grass in areas suitable for cereals production.

5. The area under cereals for the 1965 harvest is provisionally estimated at just over 9 million acres (3.64 hectares), an increase of over $\frac{1}{2}$ million acres (0.20 million hectares) above the 1964 level when production amounted to almost $12\frac{1}{2}$ million tons. It is still too early to make any reliable estimate of production from the current harvest but because of unfavourable weather conditions the possible increase over 1964 is expected to be relatively modest.

6. The level of production in 1970 will be influenced not only by changes in the efficiency of production but also by Government policy on guaranteed prices and other aspects of the guaranteed arrangements which fall to be determined at each Annual Farm Price Review. Much will depend on the progress of the livestock expansion programme and the consequent increase in the demand for cereals for animal feeding. A further factor in the situation will be the relative profitability of livestock production on the one hand and of cereals production on the other. In the National Economic Plan the technical limit to the increase in cereals production by 1970 is put at about $4\frac{3}{4}$ million tons above the 1964 level, i.e. $17\frac{1}{4}$ million tons, and this may be taken as the upper limit of the range of possibilities. In present circumstances a realistic lower limit for the increase in cereals production, taking account of the rising trend in yields and acreage, would be 2 million tons. The possible range of production of cereals in the United Kingdom in 1970 could therefore be put at $14\frac{1}{2}$ million tons to rather more than 17 million tons.

Consumption

7. The demand for cereals for human and industrial use seems likely to increase by about $\frac{1}{2}$ million tons by 1970. No increase is foreseen in the use of wheat for human consumption but the increase in population may almost compensate for the continuing decline in consumption per head; on the other hand, usage of barley and maize for human and industrial purposes should increase significantly. The main increase in demand will, however, come from animal feeding and the extent of this will depend primarily on how quickly livestock numbers expand. Another factor, however, which could step up demand is the increased substitution of cereals for grass in the feeding of livestock; this has already happened in the production of "barley" beef and if these practices develop on a large scale, cereals would provide a bigger share of total animal feed requirements. In these circumstances, it is impossible to give firm figures for possible increases in consumption by 1970. Before the National Economic Plan was drawn up, it was envisaged that consumption might increase by 2 to 3 million tons but the proposed expansion of livestock production might well have the effect of increasing this estimate by a million tons or so.