GENERAL AGREEMENT ON TARIFFS AND TRADE

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Group on Cereals

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AUSTRALIA

The following paper has been submitted by the Australian delegation in connexion with the discussion on item (i) of document TN.64/Ce/W/1.

EXPORT SUBSIDIES: WHEAT AND OTHER CEREALS

1. At the July 1965 session of the Group, members were asked to provide details of export subsidies for wheat and the major coarse grains for the three most recent years for which data are available. Since no direct or indirect export subsidies are paid on other cereals this paper deals only with wheat.

2. There are no export subsidies on wheat in the usually accepted meaning of that term - i.e. subsidies paid to traders in respect of individual sales for the purpose of bridging the gap, if any, between the internal price and the international market price. There is however a Wheat Stabilization Plan which provides that producers contribute to a fund in times of high world prices, and that producers draw from this fund (to which the Government may be required to contribute) in times of low world prices. The operation of this Plan and its effect on producers' prices for export wheat is explained below.

3. Under the Wheat Stabilization Plan, wheat producers in Australia are guaranteed a price equal to the assessed average cost of production for (a) that part of total output consumed on the domestic market (approximately 1.5 million metric tons) and (b) for 4.1 million metric tons (150 million bushels) of export wheat; a total of approximately 5.6 million metric tons (205 million bushels). Production marketed beyond this quantity receives only the world market price. Individual producers receive a single rate of payment equal to the weighted average of the guaranteed price and the world price.

4. Finance for the guarantee on exports is provided from a Stabilization Fund into which both producers and the Government may be required to contribute. Producers are required to contribute to the Fund in years when the average export price is in excess of the guaranteed price. The contribution is made by means of a tax on the proceeds from all export sales.[a] When the average export price

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[a] The tax is limited to 1s.6d. per bushel /$6.14 per metric tons/. The total amount of producers' money in the Fund is limited by law to $67.2 million.

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is below the guaranteed price the Fund is drawn upon to bring the average price for 4.1 million metric tons (150 million bushels) of export wheat up to the guaranteed price. The Government is required to contribute to the Fund when the amount of producers' contribution in the Fund is insufficient to enable the guarantee to be financed. In any one crop year the Government is required to contribute such amount as is necessary to finance the guarantee in that year.

5. Wheat consumed on the domestic market is sold at the guaranteed price so that producers automatically receive the guarantee for this wheat.

6. The Stabilization Fund was opened in 1948-49. Until 1959-60 money contributed by growers was sufficient for its operation - i.e. the Government was not called upon to contribute. In that year, however, producers' funds were exhausted and it was necessary for the Australian Government to contribute to the Fund. This contribution has been necessary in all years since 1959-60. The amount provided by the Government for the crop years 1959-60 to 1962-63 and the estimated Government contributions for the years 1963-64 and 1964-65 crops are given in the following table; the average unit value of this subsidy in relation to exports and to total deliveries is also provided.

Table 1

AUSTRALIA: GOVERNMENT CONTRIBUTIONS TO WHEAT STABILIZATION FUND 1959-65

Crop year (1 December-30 November)	Total Government contribution	Average unit value in relation to exports[b]	Average unit value in relation to total deliveries[a]
	$ million	$ per metric ton	$ per metric ton
1959-60	6.72	2.03	1.38
1960-61	19.94	3.75	2.91
1961-62	16.35	3.49	2.68
1962-63	25.31	3.96	3.25
1963-64[c]	2.12	0.31	0.25
1964-65[c]	21.06	2.70	2.23

[a]Unit value calculated by dividing subsidy payment by total deliveries.

[b]Unit value calculated by dividing subsidy payment by total exports.

[c]Estimated.