

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/5  
16 July 1974

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## Multilateral Trade Negotiations

### GROUP 3(e) - REPORT TO THE TRADE NEGOTIATIONS COMMITTEE

#### Introduction

1. Group 3(e) was established by the Trade Negotiations Committee on 7 February 1974 and instructed to deal with the following Tasks of the Programme of Work (MTN/2): Tasks 3, 4 and 15; Tasks 5, 6 and 7 in conjunction with Group 3(a); and Tasks 11, 13 and 14 in conjunction with Group 3(b) or in connexion with tasks assigned to that Group.

2. The Group met in February, April and July 1974. The reports on the first two meetings (MTN/3E/2 and 3) and a secretariat note on key points made at the April meeting (MTN/3E/4) are annexed to the present report. The points of discussion and the conclusions of the Group are outlined below under the various headings of the Programme of Work.

3. As mandated by the Trade Negotiations Committee, the Group was guided in the course of its work by the Ministerial Declaration as it related to developing countries, and agreed that future work on the questions dealt with should continue to be so guided. The Group, however, did not go into this question more deeply.

Task 3: Bringing up to date and completing<sup>1</sup> the analytical and statistical documentation assembled in the context of the Programme of Work adopted by the CONTRACTING PARTIES in 1967 in respect of all agricultural products (Chapters 1-24 BTN)

4. At its meeting in February 1974, the Group decided that the documentation on import measures (i.e., quantitative restrictions; variable levies and other special charges; health and sanitary regulations notified; various non-tariff barriers notified); export measures (including export measures not covered by the earlier documents); and production measures (self-sufficiency ratios; prices received by producers; and agricultural policies) should be completed and updated so as to cover the years up to and including 1973 or the position as of 1 January 1974, as the case may be. In order to present an overall picture of the situation as regards

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<sup>1</sup>Including analytical and technical work relating to tariffs under the GSP.

agriculture in individual countries and its relation to the economy as a whole, the Group also decided to establish documentation in the form of a synopsis covering the last five years and giving information on area and population, production, exports and imports, as well as in the form of statements on agricultural policies.

5. The Group also expressed certain wishes regarding the updating of the detailed listings referred to in document COM.AG/W/68/Add.1, for BTN Chapters 1 to 24, and the wish that in so doing, account should be taken of the need for including analytical and technical work relating to tariffs under the Generalized System of Preferences (GSP), as provided for by footnote 1 to the Programme of Work. These matters were subsequently examined by Group 3(a).

6. At its meeting in July, the Group had before it document MTN/3E/5 (annexed hereto), giving the publication plan for the updated and completed documentation. It also had before it a progress report (MTN/3E/W/16) showing the status and contents of replies received from governments by 1 July 1974.

7. The Group noted the progress made in updating and completing the documentation, expressed satisfaction at the large number of replies received and their coverage, and expressed the hope that governments would fill any gaps in the documentation as soon as possible.

8. The Group agreed that the inventories of various measures should be open-ended.

Task 4: Collection of the data for each of the last few years and carrying out an analysis of recent changes in production, consumption and supply of and demand for agricultural products; identification of the problems which result for world agricultural markets and of their significance for an approach to the negotiations in the agricultural sector

#### Collection of data

9. In addition to the data and information required under Task 3, and in accordance with the agreement reached in the Group, the secretariat assembled data on the following products for the specific purpose of Task 4: wheat; maize; butter and skimmed milk powder; sugar; cattle and chilled and frozen meat thereof; soya and soya oilcake; wine; and citrus fruit. The data are contained in documents MTN/3E/W/3 to 10 and their addenda, respectively.

10. The Group noted that this list of products had been established for the sole purpose of the work under paragraph 4 of document MTN/2; that it remained open-ended; and that it had no significance whatever as regards the product coverage of the negotiations, i.e., that the fact that a product may not have been included in this work in no way meant that it would not be included in the negotiations.

11. While bearing this in mind, and in order to complete the examination that had been carried out under Task 4 of the Programme of Work, the Group agreed that consideration should be given on a priority basis to the following products which are of particular interest to developing countries among others: rice; tobacco; preserved meats; grapes; vegetable oils; tomatoes; and strawberries.

12. The Group also noted the agreement reached in Group 3(f) that the material provided by the secretariat on tropical vegetable oilseeds, oils and oilcake, together with a summary of the comments and observations made by members, should be transmitted to Group 3(e) for consideration when the question of vegetable oilseeds, oils and oilcake was being examined on a global basis.

13. In this connexion, some members suggested that in order to enable this sector to be examined comprehensively, it should be recommended to the Trade Negotiations Committee to request the secretariat to compile documentation covering the whole fats and oils complex.

14. Other members of the Group considered that it was not necessary to ask the authority of the Trade Negotiations Committee to obtain the required documentation from the secretariat.

Analysis of recent changes in production, consumption, supply and demand

15. The Group proceeded to the analysis on the basis of the documents prepared by the secretariat. At its July meeting it also had before it the views submitted in writing by a number of delegations (issued as MTN/3E/W/14 and addenda and annexed to this report) and a secretariat note on the key points made at the April meeting (MTN/3E/4 annexed).

16. The Group noted that the situation in world agricultural markets in the last 18 months or more was unusual, and differed in many respects from that which had existed throughout most of the last twenty years. During these recent months the situation had been marked by shortages, depletion of stocks, and high prices for a large number of commodities, and an unstable world trading situation. In certain instances, export and import control measures had been introduced or strengthened. These recent developments had affected the economy of many countries, both developing and developed.

17. The Group noted that a number of conjunctural and structural factors, some of which had coincided in time, had contributed to the present situation. These included unfavourable climatic conditions, exceptionally high demand due to rising incomes and changing dietary habits, rapid population growth, and an upsurge in import demand in certain countries; a reluctance of producers to expand production in the face of instability; short-term production, stockpiling and trade policies; inflation, monetary instability and speculation.

18. Some members believed that one of the factors was a slowing down in the growth of agricultural output. Others doubted that the growth rate of agriculture was declining and pointed out that the events of the past two years should not be interpreted as indicating that the growth potential of the world's agriculture had been impaired and that the world faced a period of scarcity. Some members stated that while it was true that factors of production were still not fully utilized, they were not inexhaustible and their utilization was becoming more and more costly, in particular because of increases in prices and relative shortages of fertilizer as well as the increase in prices of petroleum and other inputs.

19. In this connexion, a member pointed out that there had been a turnaround in the world supply situation with respect to wheat, feedgrains and protein meal. Other members pointed out that it was premature at that time to make a forecast as to the situation which would prevail in the 1974/75 season.

20. Further in the same connexion, several members, including some developing countries, pointed to the reversal of the situation as regards meat in the world's major import markets.

21. In the view of some members, the effects of the factors mentioned in paragraph 17 would not have been as pronounced in the absence of a number of underlying longer term causes. These stemmed from governmental policies which had led to restricted or uncertain access, overproduction, high stocks, resort to export subsidies, and violent price fluctuations in international markets. The lack of adequate and assured outlets had forced a number of major exporting countries to take deliberate and costly action to restrict output or supply through production controls or stockpiling. If these countries had been in a position to use their economic production capacity to the full, the effects of the less controllable factors would have been significantly lessened. If producers are to expand output so as to meet world demand for food and other agricultural products, they need a more favourable and less uncertain trading climate.

22. Some delegations stated that lack of assured outlets or inadequacy of access did not seem to them to be the cause of the current situation. In their various aspects (price support policy, trend in agricultural area, etc.) the policies

pursued by the principal importing countries that were members of the Group were not likely to generate the uncertainty already mentioned as causing reluctance on the part of exporting producers to embark on a regular production policy that could meet demand. They pointed out, furthermore, that the import trend that had resulted from those policies confirmed the regularity of access; consequently, it was difficult to invoke the uncertainty of an outlet.

Identification of problems and of their significance for an approach to the negotiations

23. Some members stated that, whatever the causes or their respective rôles might be, the main problem affecting the world agricultural market is its instability and uncertainty. While some fluctuation in supplies and prices is inevitable, given the number of uncontrollable factors and, in the case of certain products, the small proportion of production entering trade, the approach or approaches taken in the negotiations must be such as to ensure enduring conditions of relative stability and security for producers and consumers.
24. Some members considered in this context that the negotiations should aim to create conditions that would enable world markets to develop along lines more satisfactory to importers and exporters alike, in accordance with existing policies, their principles and mechanisms. Other members expressed doubts as to whether significantly improved conditions in world agricultural trade can be achieved without at least some adjustments in national policies.
25. The Group agreed that it is difficult to foresee future developments in the agricultural supply and demand situation, and that the negotiations should therefore aim at finding means designed to reduce the likelihood of the occurrence both of surpluses and of shortages, and to reduce the adverse effects on all trading partners.
26. The Group agreed that, taking these circumstances into account, there is need for greater and more intensive co-operation among governments and other trading partners. There was in particular, need for systematic arrangements for regular exchange of information, for periodic joint analyses to enable governments to formulate their policies, and for consultation.
27. Many members were of the view that for certain commodities international arrangements might be negotiated, and that the elements to be included in an arrangement would have to be appropriate for the particular commodity concerned.
28. Several members considered that cereals, rice, sugar and certain dairy products might be covered by international arrangements which would provide for a concerted storage policy and an associated price mechanism.

29. Several members suggested that the meat sector might be considered as suitable for an international arrangement.

30. Many members agreed that means must be found for participation in international arrangements at the appropriate time of major producers and consumers who were at present not taking part in the multilateral trade negotiations.

31. For products not suited to international arrangements, several members suggested that joint disciplines should be negotiated which would ensure that the operations of exporting countries on world markets run smoothly.

32. Some members stated that the negotiations should seek a steady expansion of trade under stable market conditions, through co-operation of exporting and importing countries and to their mutual benefit, and should take due account of the need for security of supply. This called for an examination of concrete measures to stabilize supply and prices including, inter alia, fair and just international rules concerning export restriction measures. With increasing international mutual dependence in agricultural and other products, importing countries might become reluctant to rely on the supply of agricultural products from other countries unless they were accorded effective guarantees for their supplies.

33. Many members stressed that the key element which can lead to the creation of enduring stability and security in world markets for certain agricultural products was that of improved and secure access. There was need for greater predictability of production and trade. Without a long-term assurance that markets were available, there would not be adequate investment in productive capacity. This implied a liberalization or dismantling of tariff and non-tariff barriers that prevented increased, steady and secure access to markets as well as to supplies. Some delegations believed that this might largely be accomplished by improving on existing rules or formulating new ones which have general applicability to both industry and agriculture, taking due account of the Ministerial Declaration. However, there may be special problems affecting trade in certain commodities, such as those relating to food security, which may also require special attention. The opinion of these delegations was to some extent shared by some other delegations, although they could not associate themselves with it entirely.

34. These members stated that in order to achieve a more open trading system there was need for dealing with a broad range of governmental measures which impeded and distorted international trade flows. Undoubtedly some degree of international understanding on the use of trade controls relative to domestic measures would be required. As part of such an international understanding, it might be desirable to achieve a better co-ordination of those internal policies which are undertaken to moderate extreme fluctuations in food supplies and prices.

35. In relation to what is stated in the second part of paragraph 33 above, some delegations felt that such an approach did not in fact take account of the provisions concerning the agricultural sector referred to in paragraph 3(e) of the Ministerial Declaration.

36. Some members stressed that the negotiations should aim at the elimination or limitation of export subsidies and other export aids.

37. Some members also pointed to the need for effective measures to prevent the subsequent erosion of access undertaking.

38. Many members pointed out that increased, steady and secure access to markets, at adequate and predictable prices was of utmost importance for developing countries, not only because of their current need for foreign exchange earnings, but also because they needed a reasonable degree of certitude as regards future earnings, to enable them to plan ahead effectively. Unless they could invest in their economies - and especially in agriculture - with confidence, they would not be able to expand production so as to meet their own needs or those of others.

39. Several members underlined that recent new developments in world markets do not lead them to give a central place in the negotiations to the problem of guaranteed access. To the extent that stability on markets had been achieved as a result of implementing the international agreements or joint disciplines which had been agreed, the application of import mechanisms would be adapted to that new situation. Those same members pointed out further that although the measures already mentioned were designed to achieve an improvement of world markets that would be beneficial for the developing countries also, complementary action would have to be taken for products of particular interest for those countries in the form of measures to be defined case by case so as to allow those countries to improve their export earnings.

40. With regard to the first part of the above paragraph, some other delegations felt that such an approach was not in conformity with the provisions of paragraph 2 of the Ministerial Declaration.

Task 15: Continuation of the studies already begun on sanitary and phyto-sanitary regulations

41. The Group had before it a secretariat note (MTN/3E/W/2) summarizing the work already completed or begun by the Agriculture Committee prior to the establishment of the Group, and a further note, prepared at its request (MTN/3E/W/11), relating to the status of work on the Proposed Instrument for Preventing Technical Barriers to Trade (i.e., the draft code on standards), and on the concepts on which this work is based.

42. The Group recalled that it had invited the secretariat to get in touch with competent persons in bodies specialized in this field in order to discuss the work that could usefully be done if and when a sub-group of experts were established, and noted that the secretariat had, accordingly, got in touch with FAO and the FAO/WHO Codex Alimentarius Commission.

43. The Group agreed to inform the Trade Negotiations Committee that it considered that technical work still remained to be done on the question of sanitary and phyto-sanitary regulations.

44. Several members felt that because of its technical and specialized nature, the work should be entrusted to a group of experts. They suggested that one of the questions to be dealt with was to examine, on a conceptual level, whether all sanitary and phyto-sanitary regulations were covered, and adequately covered, by the Proposed Instrument, whether it needed further elaboration in this respect or whether other solutions needed to be sought. One of these members added that the contractual commitments to notify and consult were a welcome feature of the Proposed Instrument, which might however not cover certain types of health and hygiene standards; he therefore suggested that the sanitary and phyto-sanitary regulations be grouped into categories each of which should be tested against the provisions of the Proposed Instrument to see if they applied.

45. Some members suggested that a review of the applicability to sanitary and phyto-sanitary regulations of the Proposed Instrument should at the same time take account of the work on packaging and labelling referred to in Task 13 of the Programme of Work, as well as of possible other agricultural aspects in relation to the Proposed Instrument. One of these members said that in this work, due account should be taken of the wide variations among countries as regards food-stuffs, consumption habits and distribution systems, and of the need not to interfere with the proper functioning of health and sanitary regulations.

46. Another member suggested that the regulations should be investigated at the technical level if it appears that they are being misused as trade barriers. He suggested that the procedures under GATT Articles XXII and XXIII should be followed, but that these might be supplemented by the establishment of a technical body or panel of experts.

47. Some members stated that the work foreseen under Task 15 should not be merged with work under other tasks, nor should an expert group be established to do it. The questions should be examined in greater depth on the basis of the inventory of regulations notified, with a view to finding an appropriate solution.

Tasks 5, 6, 7, 11, 13 and 14: Tasks to be carried out in conjunction with other Groups

48. Tasks 5, 6 and 7, to be carried out in conjunction with Group 3(a) relate to the determination, respectively, of the customs tariffs, the base year for the collection of statistics, and of the unit of account to be used in the negotiation. Tasks 11, 13 and 14, to be carried out in conjunction with Group 3(b) relate to the study of the applicability to agricultural products of the proposed code regarding countervailing duties and of the work relating to packaging and labelling, and to the study with regard to import documentation.

49. On the basis of document MTN/3E/W/15 and Addendum 1, prepared by the secretariat at its request, the Group noted the progress made in Group 3(a) and 3(b) respectively, on the tasks which had been assigned to them in conjunction with Group 3(e). It was informed in particular of the decision of Group 3(a) to establish a tariff rate information file. It was also informed of the results of the discussions in that group on the tabulations to be established as regards the Generalized System of Preferences and most-favoured-nation reductions, since it was proposed that these tabulations would cover also products classified in BTN Chapters 1-24. The Group felt that a further examination was needed in order to complete the various tasks.

Final observations

50. In view of paragraphs 3, 11, 12, 43 and 49, the Group wishes to inform the Trade Negotiations Committee that it considers that the work assigned to the Group by the Programme of Work has not been completed in its entirety.

LIST OF ANNEXES

- I. Points Relating to the Programme of Work (Note on the Meeting of February 1974, formerly MTN/3E/2)
- II. Meeting of April 1974 (Report of Group, formerly MTN/3E/3)
- III. Key points made at Meeting of April 1974 (Note by the Secretariat, formerly MTN/3E/4)
- IV. Preparation of Documentation (Note by the Secretariat, formerly MTN/3E/5)
- V. Views Submitted by Delegations (formerly Addenda 1 to 7 to MTN/3E/W/14).
  - 1. South Africa
  - 2. Canada
  - 3. European Communities
  - 4. Japan
  - 5. New Zealand
  - 6. Australia
  - 7. United States

ANNEX IPOINTS RELATING TO PROGRAMME OF WORK

1. Group 3(e), established by the Trade Negotiations Committee on 7 February 1974, met from 25 to 27 February 1974. It had before it the Programme of Work adopted by the Committee (MTN/2) as well as the following documents prepared by the secretariat:

Consideration of Technical Work to be Undertaken (MTN/3E/1)  
Check List of Basic Documentation (MTN/3E/W/1) and  
Sanitary and Phyto-sanitary Regulations (MTN/3E/W/2).

The Group agreed to organize its discussion on the basis of document MTN/3E/1.

Work under paragraph 3 of document MTN/2A. Import measures

2. Tariffs. It was the wish of the Group that the detailed listings referred to in COM.AG/W/68/Add.1 be updated for BTN Chapters 2 to 24 so as to show tariff rates and their status as of the latest date possible, preferably 1 January 1974, and import values by tariff line for the latest year possible, preferably 1973, for the countries listed under A(2) in MTN/3E/W/1.

3. It was also the wish of the Group that in so doing, account should be taken of the need of including analytical and technical work relating to tariffs under the Generalized System of Preferences (GSP), as provided for by footnote 1 to the Programme of Work. Before deciding on how to carry out its task in this particular field under the Work Programme adopted by the Trade Negotiations Committee, the Group would wish to take account of the procedures developed by Group 3(a).

4. Quantitative restrictions. The Group agreed that the information contained in documents COM.AG/W/90/Rev.1 and COM.AG/W/79/Rev.1 should be updated so as to show also the position as of 1 January 1974.

5. All participants to the negotiations listed under A(3)(a) and A(3)(c) in MTN/3E/W/1 are therefore requested to supply to the secretariat the required information by not later than 1 April 1974. This information should include the reasons for the maintenance or modification of the restrictions notified.

6. The Group invited all other participants to the negotiations to supply similar information to the secretariat as soon as possible.
7. On the basis of the information received, the secretariat could issue a new summary table to replace COM.AG/W/92.
8. State trading. It was understood that notifications pursuant to Article XVII:4 will continue as heretofore.
9. Variable levies and other special charges. The Group agreed that the information on variable levies and other special charges should be updated and that the information which will be submitted on this subject will be given in the same form as envisaged in document COM.AG/9 and will cover the last five years which will also reflect the situation as of 1 January 1974.  
  
All participants concerned are therefore requested to supply the required information to the secretariat by not later than 1 April 1974.
10. Health and sanitary regulations notified. The Group agreed that the information contained in document COM.AG/W/68/Add.4 should be updated so as to show the position as of 1 January 1974.
11. All participants whose measures are listed are requested to notify the secretariat by not later than 1 April 1974 of any modifications in the measures, giving or confirming reasons for maintaining or modifying the measures.
12. Participants wishing to notify measures not yet listed are invited to do so. The new notifications will be issued with the consent, and comments if any, of the country concerned.
13. Various non-tariff barriers. The Group agreed that document COM.AG/W/71 should be updated so as to show the position also as of 1 January 1974.

In principle, the same requests and invitations apply as in 11 and 12 above. However, account will be taken of information on the subjects covered by document COM.AG/W/71 already supplied in other contexts and contained in documents MTN/3B/1 to 5.

B. Export measures

14. Inventory of measures and mechanisms influencing exports. The Group agreed to update and complete document COM.AG/W/81 (which itself is the updated version of Spec(69)9/Rev.1 to 15, and Spec(69)136).
15. Participants are therefore requested to supply or complete data for all missing years up to and including 1973, by 1 April 1974 and to complete this information in respect of export measures (applied or applicable) not covered by the earlier documents. Reasons for introducing, maintaining or modifying the measures should be given. A list of export measures existing on 1 January 1974 should be given, whether or not they were actually being applied on that date.

16. Subsidies. It was understood that notifications pursuant to Article XVI:1 would continue as heretofore.

C. Production measures

17. Self-sufficiency ratios: (Spec(69)35/Rev.1)

Prices received by producers. (Spec(69)36/Rev.1)

The secretariat will update these documents, with the help of delegations where necessary.

18. Agricultural Policies. In order to relate the measures notified to the global framework of the policies followed, the members of the Group are invited to supply the secretariat with statements on their present agricultural policies by not later than 1 April 1974. It is understood that these statements might inter alia be based on information and data supplied to other bodies and should cover objectives (economic, social, etc.), the means employed to attain them, and reasons for these; and relevant assessments.

D. Synthesis

19. In order to present an overall picture of the situation as regards agriculture in individual countries and its relation to the economy as a whole, each delegation participating in work of Group 3(e) is requested to supply the following data by 1 April 1974, for the last five years:

I. Area and population

- (a) Total area utilized for agriculture (absolute figure and percentage of country's total area);
- (b) Utilization: percentage of agricultural land (i) under crops (broken down by crop or group of crops), (ii) under pastures, (iii) other (including area set aside);
- (c) Area (in addition to above) for potential utilization as agricultural land (absolute figure and percentage of area utilized for agriculture);
- (d) Percentage of total active population engaged in agriculture.

II. Production

- (a) Main agricultural commodities produced, giving approximate tonnages;
- (b) Share of GNP derived from agriculture (percentage).

III. Exports

- (a) Main agricultural commodities (including processed products) exported, giving approximate tonnages;
- (b) Share of agricultural products in total exports.

IV. Imports

- (a) Main agricultural commodities (including processed products) imported, giving approximate tonnages;
- (b) Share of agricultural products in total imports.

20. In order to facilitate the updating of the information relating to the various products which one or more delegations suggested for inclusion in the work under paragraph 4 of document MTN/2, but which were not so included at the present time, members of the Group are urged to give priority attention to their notifications concerning these products (see paragraph 29 below).

21. A delegation said that the documentation implicitly contained information on certain topics such as licensing, standards, valuation for customs purposes, export subsidies, and suggested that to make these matters more explicit the secretariat might prepare an inventory of these specific topics so as to enable the Group to consider at an appropriate time how and when they might be dealt with.

Work under paragraph 4 of document MTN/2

22. The Group noted that the work to be done by it under this paragraph was the "collection of the data for each of the last few years and carrying out an analysis of recent changes in production, consumption and supply of and demand for agricultural products; identification of the problems which result for world agricultural markets and of their significance for an approach to the negotiations in the agricultural sector".

23. The Group agreed that the work would cover the following products in the first instance: wheat; maize; butter and skimmed milk powder; sugar; cattle and chilled and frozen meat thereof; soya and oilcake thereof; and wine.

24. It was noted that the secretariat would in addition prepare data and analyses on certain fruits and vegetables for which statistics were readily available.

25. The Group noted that this list of products had been established for the sole purpose of the work under paragraph 4 of document MTN/2; that it remained open-ended; and that it had no significance whatever as regards the product coverage of the negotiations, i.e., that the fact that a product may not have been included in this work in no way meant that it would not be included in the negotiations.

26. The Group agreed that the following series of data should be collected for this work: production; opening stocks; imports; consumption; exports; closing stocks; world or international prices; domestic and support prices.

27. The Group agreed that the data to be collected would cover each of the years (or crop years) 1968, 1969, 1970, 1971, 1972 and to the extent possible, 1973.

28. The Group noted that while the secretariat, in order to compile statistics on as global a level as possible, would make every effort to avail itself of existing data, including data from specialized bodies, the co-operation of governments would be required for certain series, in particular as regards support and domestic prices. It was agreed that governments would supply these data by 10 March 1974.

29. Several delegations, while accepting the consensus as regards present coverage and the open-ended nature of the list of products, expressed the wish that certain other products might also be covered. Reference in this connexion was made to inter alia: certain cereals (e.g., rice, barley); certain fruits and vegetables (e.g., citrus, grapes, apples, strawberries, tomatoes, onions); certain dairy products and eggs; certain meats and meat products (e.g., poultry, preserved meats); certain oilseeds and products (e.g. rapeseed, sunflower oil, oilcakes).

#### Work under paragraph 15 of document MTN/2

30. The Group reaffirmed its agreement that the inventory of health and sanitary regulations notified should be updated and completed (see paragraphs 10 to 12 above).

31. The Group requested the secretariat to prepare for its next meeting a note on the status of work on the draft code on standards drawn up by the Committee on Trade in Industrial Products, and on the concepts on which this work is based.

32. The Group invited the secretariat to get in touch with competent persons in bodies specialized in this field in order to discuss the work that could usefully be done if and when a sub-group of experts were established by the Group.

#### Other work by Group 3(e) in co-operation with other groups

33. It was the general feeling in the Group that it would be desirable to await the results of the initial meetings of the other groups concerned, which the Group would then consider at a future meeting.

#### Other matters

34. The Group agreed to hold its next meeting on 2 April 1974.

ANNEX II

MEETING OF APRIL 1974

1. Group 3(e) met from 2 to 4 April 1974 in order to continue its work on Task 4 of the Programme of Work (MTN/2).
2. On the basis of the documentation before it, the Group proceeded to the analysis of recent changes in production, consumption and supply of and demand for the agricultural products listed in paragraph 23 of MTN/3E/2. It was understood that members might, if they wished, pursue this analysis regarding these products as well as citrus at the next meeting. It was also understood that members who so wished might propose other products for examination under Task 4, that the Group at its next meeting would select certain products for this purpose from among those proposed, and that the secretariat in co-operation with interested delegations would then prepare appropriate documentation which would be examined in due time.
3. The Group invited all delegations who wished to do so to submit in writing their views on questions that had arisen in and the conclusions to be drawn from the discussions that had taken place on the analysis of recent changes in world markets, or on any other relevant question of interest to them. It was understood that the texts submitted by members would be circulated by the secretariat in full. Members concerned were urged to submit their views as early as possible.
4. The Group requested the secretariat to prepare, in good time before the next meeting, a note listing the key points made by members regarding the analysis of the situation in world markets.
5. The Group agreed that at its next meeting it would proceed to the identification of the problems which result for world markets for the products listed in paragraph 23 of MTN/3E/2, and of their significance for an approach to the negotiations in the agricultural sector. This work would be based inter alia on the views submitted by members and the secretariat note referred to respectively in paragraphs 3 and 4 above. In this connexion reference was made to paragraph 25 of MTN/3E/2.
6. Recalling that the Programme of Work states that each group shall in the course of its work be guided by the Ministerial Declaration as it relates to developing countries, the Group agreed to take up this aspect in its work under Task 4 at its next meeting.

7. The Group noted that the secretariat note relating to the Draft Code of Standards (requested by it in MTN/3E/2, paragraph 31) had been circulated, and agreed to revert to Task 15 of MTN/2 at its next meeting.
8. The Group also agreed to address itself at its next meeting to the tasks which it is to carry out in conjunction with other groups. The secretariat will inform the Group of the relevant results reached in the other groups concerned, so as to enable it to consider or review them, as necessary.
9. The Group requested the secretariat to present to it at its next meeting a progress report on Task 3, the updating and completion of the documentation. The report should show the number of replies received and their coverage, and indicate any major gaps in the information received. In this connexion the Group noted that the secretariat intended to reissue the updated documentation in as practical form as possible, but recognized that it could not usefully be consolidated until the bulk of the information has been supplied to the secretariat. The Group therefore urged members to send in their information as soon as possible and in as complete a form as possible.
10. The Group agreed to hold its next meeting about one week preceding that of the Trade Negotiations Committee.

ANNEX III

KEY POINTS MADE AT MEETING OF APRIL 1974

1. The present document was prepared in response to the request by the Group for a note listing the key points made by members at its meeting from 2 to 4 April 1974 regarding the analysis of the situation in world markets (MTN/3E/3, paragraph 4).

2. At its meeting, the Group proceeded to the analysis on the basis of the following documents:

MTN/3E/W/3 and Addenda 1 and 2	Wheat
MTN/3E/W/4 and Addendum 1	Maize
MTN/3E/W/5 and Addenda 1 and 2	Butter and skimmed milk powder
MTN/3E/W/6 and Addendum 1	Sugar
MTN/3E/W/7 and Addendum 1	Cattle and chilled and frozen meat thereof
MTN/3E/W/8 and Corr. 1 and Addendum 1	Soya and oilcake thereof
MTN/3E/W/9 and Addenda 1 and 2	Wine
MTN/3E/W/10 and Addendum 1	Citrus fruit

3. The Group noted that the aim of the documentation before it was not to provide comprehensive and detailed statistics, but to present a general survey of the situation in various commodities, so as to enable the Group to identify the problems which resulted for world agricultural markets and their significance for an approach to the negotiations.

General discussion

4. A member pointed out that situations of short supply occurred from time to time. Twice since World War II they had led to grave concern as to the world's ability to feed its people, yet each food crisis was followed by surpluses and falling prices as a result of which a few countries, and especially his, were forced to take on responsibility for supply management for the entire world, by means of production restraints and stockpiling. Periods of shortage should therefore not be considered

in isolation from other periods. The objective of the negotiations should be to find solutions to all types of problems that will face agricultural trade in the next five, ten or twenty years. To identify the problems one should look not only at supply, demand and price data, but also at related aspects such as changes in weather, policies affecting production and trade, and economic developments outside agriculture. He recognized that social, political and other economic objectives undergirded governmental policies for intervention in agricultural markets and that they must be taken into account in negotiations. These objectives had often led governments to develop domestic policies with insufficient consideration for their global effects. The differences and interrelationships among commodities should also be recognized. Price variability was the symptom, not the cause, of the problem. The function of price was to allocate goods in consumption and resources in production. Although policy measures and interventions might at times be warranted, they should not unduly hamper this function. Past experience showed that any set of rules intended to govern world agricultural trade must be flexible enough to accommodate a variety of supply/demand situations. In a number of years there had been surpluses in various commodities, in some cases generated by high price supports and restrictive trade barriers. Many governments then subsidized exports aggressively, artificially depressing world prices and encouraging the introduction of import protection schemes. At other times, a combination of bad weather, short-sighted policies and rising world demand created shortages which led to export restrictions and price controls within national economies. Between the two extremes, there were periods when the market mechanism might have allocated food and feed reasonably well throughout the world, but was faced with trade distorting measures which limited imports, subsidized exports and thus distorted production and trade patterns, usually to the detriment of consumers and producers. Understandings must therefore be achieved among governments on the use of trade measures under all kinds of supply/demand conditions, including surpluses and shortages. Exporting countries might be reluctant to make commitments to expand production unless they are assured of continued access to foreign markets, while importing countries might be reluctant to increase their dependence on imports without some assurance of steady supply. To relieve resulting tensions, a major aim of the negotiations must continue to be the reduction of agricultural trade barriers consistent with domestic commitments. The agricultural trading system should be improved so as to enable governments to honour their commitments to farmers as well as consumers at lower levels of protection, to the benefit of both. At the same time, the understandings on the use of trade measures would make countries willing to accept a greater degree of interdependence in the agricultural area. (The full text of the statement was issued as MTN/3E/W/12.)

5. Some members commented in detail on the factual changes that had recently occurred in the level of production and the factors underlying them. Going beyond conjunctural developments in 1972 and 1973, the present situation should be attributed to the long-term evolution of agricultural production which for some years in the world as a whole and for most products had been characterized by a slowing-down tendency in the annual growth rate. The other salient characteristic of agricultural production in recent years had been the increasing importance of variations in the volume of production from one year to another. That two-fold evolution of production was the consequence of a whole series of factors (whose respective rôle varied according to the product concerned), such as weather variations, difficulties encountered in maintaining the growth rate achieved in the mid-sixties, depression of prices in world markets causing a contraction of investments to augment production and industrial processing capacity, policies pursued by importers and exporters. In the present climate of uncertainty it was difficult to ascertain what implications those changes and the factors underlying them held for the future. Indeed, one must take into consideration climatic and meteorological phenomena which the World Meteorological Organization (WMO) believed were changing fundamentally in certain regions, the intensification of utilization of available resources to which any increase of production was tied, making the latter more dependent than ever on inputs (which in recent months had known some new developments), and likewise the recent tendency on the part of governments and agricultural producers to manage their policy in relation with the short-term situation.

6. A member said that the data revealed some basic facts from which certain implications could be drawn. Basically, the recent changes in supply and demand had revealed little more than that when supplies were short, prices rose. Secondly, in a period of shortage supplies might be withheld from the international market to meet domestic requirements. Among the contributory factors underlying and aggravating the present shortages were the policies which created uncertainties in the market. Without some certainty of access to markets, there was little incentive to increase production. Agricultural production cannot be turned on and off like a tap in response to stop-go measures taken by governments. While it might not have been possible to avoid shortages altogether, their impact might have been lessened had the supplying countries had security of access. The last few years had shown that when prices exceeded certain levels, protective devices became unnecessary and had in certain instances been relaxed or suspended by some major importers. Thus, if world prices were at or above remunerative levels, bigger trade flows resulted. On the other hand, account must also be taken of consumer reaction to high prices leading to decreased demand, and of rapid price fluctuations which generate uncertainties for producers. It was difficult to assess supply and demand prospects, especially as these vary from commodity to commodity. Given therefore that the outlook was uncertain, one should examine what could sensibly be done at both ends of the supply/demand spectrum. None of the developments in the last two years removed the need for secure markets and adequate prices.

7. A member said that it was clear that for some major commodities supplies were short, prices high, and carry-over stocks at reduced levels. In his view the situation would not last, and agriculture would continue to be characterized by fluctuations in supplies and demand, and a degree of uncertainty. Security of supplies must have as basis the co-operation of importers and exporters, developed and developing countries, in matters of production and trade. Although some developing countries had succeeded in increasing production, the increases often fell short of the targets, and tended to be smaller than those achieved by developed countries. There was need to create a stable world agricultural system which would provide an increased share for the trade of developing countries. Access, especially for products from developing countries to markets of developed countries, had an important part to play in such a system.

8. A member said that the Group's review should be considered in the context of developments in the post-World War II period, in order to assess whether the recent changes that had led to tight supplies and high prices were structural or temporary. He considered that present shortages were the result of a complex interaction of various forces including the reaction to the agricultural recession of the preceding years which had led to a withdrawal of resources from agriculture in many efficient producing countries; the development of complements to and substitutes for imports in consuming countries; adverse climatic conditions; and to an accelerated rate of economic growth and an upswing in demand. Mechanisms were already at work to counteract these forces: more resources were again being put into agriculture and certain import barriers were being temporarily relaxed; it could not be assumed that such an adverse series of interrelated conditions would again coincide with low stocks; the general level of economic activity was likely to be dampened by the costs and problems of availability of energy, and this would in turn affect demand for agricultural products. In his view delegations should not envisage a negotiating approach in terms of surpluses or shortages, but rather in terms of the problems affecting particular commodities, although certain common elements might underlie the various solutions. Thus, there was need for greater predictability of production and trade, for adequate institutional arrangements and a framework for agricultural trade, and for stronger liaison between producing and consuming countries. He recognized that while commodity arrangements were not a universal remedy, they were nevertheless appropriate for certain key products. Means must be found for participation in such arrangements at the appropriate time of major producers and consumers who were at present not taking part in the multilateral trade negotiations. Improved access was an important element in any arrangement, as without a long-term assurance that markets were available there would not be adequate investment in productive capacity, as the recent situation of under-investment in agriculture showed.

9. A member pointed out several factors which in his view had important bearings on recent changes and future prospects of supply situations. First, the rise in income levels had contributed to the structural changes in world consumption. There had been an increased demand for protein foods, and hence an increase in demand for feedgrains. In addition, demand had risen in developing countries for certain other products, such as sugar. Secondly, while agricultural production in developing countries had risen significantly in the late sixties, the expansion was subsequently slowed down because of inadequate infrastructure and insufficient inputs. Thirdly, it had been difficult to assess the import requirements of countries with non-market economies, and this unpredictability had contributed to the shortages. Lastly, the instability of the market induced additional purchases over and above the requirements that would have existed under stable conditions.

10. A member said that an analysis of the situation should involve a broad approach and also cover aspects such as employment or research. He recognized that GATT was competent in the field of trade, whereas the broader problems were being tackled elsewhere, for instance in the Preparatory Committee of the forthcoming World Food Conference. He considered that forecasts, such as those made or planned by FAO, OECD or certain commodity councils would be useful, and said that he did not share the doubts expressed by other delegations as to the utility of forecasts. He felt that account should be taken of the work of these other bodies.

11. A member stressed the need to differentiate between long-term trends and short-term aberrations. Shortages in the past had been followed by surpluses, depressed prices and harm to producers, especially those relying heavily on international markets. This situation retarded the adjustment made necessary by the recent changes. An approach to the negotiations must be flexible so as to be able to deal with both shortage and surplus situations. The continued unpredictability of access and resort to export subsidies led to a deliberate cutting down of production, which subsequently accentuated the reductions in output caused by climatic factors. The lesson to be drawn from this was that exporting countries must not be reduced to the rôle of residual suppliers, and that export subsidies, which have a detrimental effect on world markets, must be removed. It was not possible to reach agreement that the present situation represented a turning point in supply and demand. Production could be expanded under the right conditions of high prices and assured access. The growth in demand differed from one commodity to another; in the case of meat, for instance, production might lag behind demand. Appropriate trading arrangements should therefore be designed to attenuate or accommodate different supply/demand situations, to ensure adequate farm incomes and to safeguard the interests of consumers.

12. A member expressed agreement with the need for reduction of tariff and non-tariff barriers, especially those that were high or very restrictive, and for the creation, maintenance and stability of access to markets. He suggested that an attempt should be made in the negotiations to reach agreements on key commodities, although such agreements might have to differ in form or content from past commodity agreements. There was need for increased co-operation and consultation among governments on prospects and intentions.

13. Some members pointed out that there had been various new developments at the consumption level in the past few years. While, as already noted, the expansion rate of agricultural production had been relatively slower in recent years than in the 1960's, on the other hand the growth rate of consumption had accelerated over the same period as a result of both population increase and higher income levels. The latter factor, they added, had furthermore contributed to modify the pattern of consumption, which had shifted toward expensive and protein-rich food-stuffs. In addition, major food shortages had occurred in various regions of the world. Commenting on future prospects for consumption of agricultural products, in particular in the light of recent developments, these members pointed out that consumption of certain products could perhaps adapt to the current supply situation and that for other products this could affect market equilibrium. Referring to changes in supply and demand these members shared the views expressed by others. They emphasized that while price instability had become more pronounced in recent times, it was nevertheless a chronic phenomenon in agricultural markets. In the negotiations the governments should therefore endeavour to solve that problem too; the international co-operation structures established in the preceding decade would have to be reactivated and where necessary modified to take account of the new situations.

#### Wheat and maize

14. A member, pointing to the wide crop failures in grains in the last two years and the changes in the supply and demand picture, said it was difficult to determine whether these phenomena were temporary or indicative of a long-term scarcity. A study under way in his country of yearly variations of output of wheat around a trend line for 1950 to 1972 seemed to lead to the following conclusions: in the period considered, upward deviations were more frequent than downward deviations; the downward deviations were larger; fluctuations were expected to continue; a balancing of upward with downward deviations did not indicate equilibrium between supply and demand; the largest shortfalls had occurred in a developing country in Asia, in a centrally-planned economy which as a result entered the market much more strongly in 1972 than in previous years, thus undoubtedly becoming a major factor in the present

situation, and in his own country, the only one among them where the reduction in output had been the result of deliberate policies. At one time his country had been holding one third of the world's wheat stocks. The high level of unsalable stocks had not been due to full use of productive capacity (as acreage had been withheld from production) but primarily to policies by other countries leading to an uneconomic use of resources.

15. Some members observed that while world wheat production had grown rapidly since 1960, there had been a slow-down during the last five years. Secondly, production was extremely variable over time. The same considerations applied also to maize. Turning to the possible causes of changes in production, they pointed to some fundamental modifications that the world's climate seemed to be undergoing. It appeared that the earth was gradually cooling off and, if this was so, this might provoke an alteration in wind currents and hence in the distribution of rainfall and the occurrence of droughts. This raised the question whether variations in output might not become even more pronounced in the future. Another cause of variations lay with governments, who allowed their actions to be guided by situations prevailing at a given time, so that their grains policies tended to be short-term. Short-term decision making by producers themselves also contributed to the variations. The recent slow-down in the growth of agricultural production was a reflection of the high dependence of agriculture on additional inputs, which had been used with increasing intensity in the past. Higher energy costs, reduced availabilities and higher prices of fertilizers might already have had an influence on levels of output. Since last autumn in particular, the energy crisis might have had a non-negligible impact on production, especially of high-yield varieties which require a high input of fertilizer. Similarly, the fight against pests and diseases by means of chemicals which had helped to increase production in the sixties might be hampered. These various factors were likely to influence future expansion and variability of output of crops as a whole.

16. A member considered that the factors underlying recent changes in supply and demand for wheat were the following: the failure of some countries to achieve the desired growth rates in production, in particular the developing countries faced with rising populations. Secondly, the instability of production in non-market economy countries, together with stronger demand in these countries for feed grains needed for expanding the animal sector. Thirdly, the failure of the major producing countries to foresee the increase in demand and to take appropriate action in advance. As regards prospects, he considered that taking into account the substantial decrease in stocks, a long time would be required to replenish them to more adequate levels. Secondly, sustained efforts would be required in developing countries for a number of years to raise production to meet population needs. Thirdly, it was difficult to assess the possibilities of stabilizing supplies, in particular those of non-market economy countries. These considerations led to the conclusion that the world market for wheat would

remain relatively tight for a number of years to come. As regards maize, the factors underlying the situation were the unexpected and enormous purchases by some non-market economy countries and the continuously growing import demand reflecting rising trends in demand for animal products in developed countries. An additional factor relevant to the future was that in those developing countries which had attained a certain level of per caput income, demand for animal products was expected to grow further. Taking these factors into account, it would appear that future availabilities of maize would be even more restricted than those of wheat. This indicated the importance of expanding the production of maize and other feed grains with a view to stabilizing the market.

17. A member said that the reasons for the variability of trade and of the slow-down in the expansion of production in the last five years had to be sought against the background of a longer and more representative period. A major factor could be seen in the relatively small proportion of world production entering international trade which was thus easily rendered volatile by fluctuations in demand in the major consuming countries including the large purchases by certain centrally-planned countries. It must be recognized that world production had increased during a period of supply restraints exercised by the major wheat producers and exporters. The efficient producers had the possibility to expand production further, but had not done so because of the depressed expectations and the unstable world market outlook. It was true that climatic factors had importantly contributed to the recent instability of production and that this coupled with the rundown of stocks, had led to the tight supply situation. However, producing countries could not increase production without an assurance of being able to dispose of supplies.

18. Several other members shared this view. One of these members said that it must be recognized that some governments had taken deliberate and costly action to reduce output. The lack of secure access had affected the level of inputs such as fertilizers. Referring to the observation made by a member that exporters had not foreseen the situation and had failed to take appropriate steps, he said that the same applied to importing countries. The exporters were not the only group with responsibility. Their market returns were reduced by the very fact that they were carrying stocks, and this burden should be shared. Forecasts indicated higher world production of wheat in the coming year, if weather was normal. Taking a longer view, he expected that the stronger market situation would bring forth more supplies, that input shortages would not affect output in his country, and that yields would continue to rise. The negotiations in GATT should develop a basis for giving producers enough confidence in the market to produce

for it. Growers in his and the other major wheat countries would be ready to expand production if the market rewarded them for their effort. A reasonable basis would be one that allowed a more open and more competitive market structure to exist, while also allowing certain measures to be taken to accommodate fluctuations from year to year. As one could not read the future, the trading arrangements to be worked out must be flexible enough to accommodate whatever situation arises.

19. A member said that questions of climate obviously lay outside the scope of the multilateral trade negotiations, which should above all deal with trade barriers, giving full consideration to Part IV of the GATT.

20. A member, recalling that concern about possible future shortages had led to the decision to convene a World Food Conference, said that in the past shortages were short, and surplus periods long, though the past did not necessarily repeat itself, and population continued to grow. What was needed was stability, organized markets, an assured continuity of supplies, and a system in which countries would take account of one another's situation. Trade barriers should therefore be eliminated, and market access ensured. Agricultural production could not be turned on and off like a tap, but, as recent events had shown, imports could, and had been. He hoped that the negotiations would succeed in eliminating such practices.

21. A member pointed out that if it was difficult to plan ahead in temperate zones, it was even more so in the tropics, where producers of tree crops had to take planting decisions six or seven years before the crops would appear. Access was therefore particularly important, as producers were not ready to produce unless they were assured of finding markets at reasonable prices.

22. A member said that a country wishing to meet the needs of its consumers could do so through its own production, through the maintenance of national stocks, or through imports. He queried some aspects of the concept of efficient production. A country must itself decide to what extent it should rely on its own production, even at slightly higher prices, and to what extent on imports. The fact that only a small fraction of production entered world trade meant that small changes in supply or demand provoked large changes in international prices. He therefore shared the view of those who called for greater stability and greater regularity in the market as an objective of the negotiations.

23. A member said that his country had long-term contracts with a certain degree of flexibility: it was not possible to forecast prices, especially in times of monetary instability. A main objective should be an equitable international division of labour.

24. A member said that medium or long-term trading arrangements should be envisaged providing for a certain size of imports in conditions acceptable to exporters and importers. He suggested that the time was ripe to consider the kind of arrangement that would be appropriate, and the conditions and elements it might realistically contain.

25. A member, expressing agreement, said that such arrangements should respect the interests of developing countries and of small producers, and should provide access to markets for their products.

#### Soya and oilcakes thereof

26. A member said that the changes in the soyabean market were directly due to changes in the beef and feed complex, and that developments in soyabeans and cake should be seen against the broad complex of protein feeds. World soyabean production had been continuously expanding in recent years, but demand for them had grown relatively strongly because of production declines or supply difficulties in other components of the protein feed complex, such as fishmeal, sunflowerseed and groundnuts. The market was relatively free of restrictions and any efforts at introducing new restrictions should be firmly resisted, as proteins were needed for human consumption directly or indirectly.

27. A member pointed out that the production of vegetable oils could be influenced not only by factors of access and price, but also by possibilities of substitution, including substitution by synthetics for industrial use. It was thus difficult to assess or forecast the supply and demand situation correctly, and to treat soyabeans and meal in isolation.

28. A member said it was well-known that the tight situation in the soya market had been largely caused by reduced availabilities of anchovy meal, sunflowerseed and groundnuts. Future factors were the relatively limited areas suitable for soyabean production, the difficulties in raising yields, and the doubts as to whether future supplies of fishmeal could be increased sufficiently to offset the rising demand for protein meal. It would therefore be too optimistic to assume that the market would be free from interferences and shortages in the long term.

29. Some members saw similarities between the situation in meals and cakes and in grains. There had been increases in production in both sectors, that of soyabeans in particular having doubled between 1960 and 1973. In both sectors, periods of boom seemed to be followed by stagnation and then by leaps ahead. In the case of soyabeans, the recent increases had only served to offset production shortfalls elsewhere, especially those in fishmeal, linseed cake, copra and other oilseeds. The expansion in soyabeans seemed to be hampered by inadequate efforts to improve yields or quality in some countries (with some notable exceptions in certain developing countries) and by the competition for land between soya and other crops.

The higher prices had thus failed to act as an adequate stimulant to production, nor had access to markets ensured sufficiently high output levels to meet demand.

30. In comment, a member said that proposals in certain markets in 1968 to make imports of soyabeans dearer had affected the outlook of producers in his country. Yields tended to be stable because soyabeans responded little to additional inputs. Additional acreage was however available, in spite of competition for land from maize or cotton and provided they were not discouraged a second time, his country's producers could meet demand. Given certain conditions, production could in the next ten years rise by some 44 per cent above the 1973 crop, and an increase in exports was projected for 1974.

Dairy products: butter and skimmed milk powder

31. Some members observed that between 1968 and 1971, dairy production had declined in their countries and in the world as a whole. While this tendency had continued at world level, it had become slightly reversed in their countries. A major dairy producing country had recently emerged as a large importer and other importers had also made themselves felt in the world market. These members, as well as other exporters, had experienced some difficulties in supplying dairy products. The increase in feed prices had created as yet unsolved problems, especially as regards dairy cattle.

32. A member pointed to national policies as an important element in the world dairy situation. Support policies existed in all major dairy producing countries with the exception of his own and perhaps one other. The fact that the quantities of dairy products traded internationally represented only some 10 per cent of world production, made dairy trade very sensitive to changes in policies and in the demand and supply situation. There were a number of reasons behind the current shortages: on the supply side, his country, a major supplier of dairy products, had suffered three successive drought seasons. Earlier, herds had declined as a response to the low prices and difficulties of access in the late sixties. The physical efforts inherent in dairy farming had also acted as a disincentive. There had been some decline in production in the other major producing countries. On the other hand, areas of import demand had recently emerged in Latin and North America and in Asia, markets that had earlier been closed. Demand for proteins was growing in developing countries. In Europe and elsewhere, there was strong demand for milk protein for cattlefeed. Demand for butter, on the other hand, experienced a consumer reaction against high prices and under the influence of medical propaganda. Nevertheless there had been an element of stability in the market, which was to some extent a reflection of the arrangements made in GATT, and of the discipline in trade practices on the part of certain countries. If outlets were assured, production and supplies would be safeguarded. A great deal depended on how governments would manage their production policies, and this question would represent a major area in the negotiations.

33. A member said that the change from surpluses to relative shortages of dairy products was related to action taken by some governments to decrease production and stocks, as well as to the emergence of a new major importer. As regards the future, a disparity was anticipated between stable demand for butter and rising demand trends for skimmed milk powder both for direct human needs and as cattle feed.

34. A member said that for some time the decline in dairy herds in his country had in certain years been offset by increased yields, but that a decline in milk output had again occurred in 1973. The long-term reasons for the declines were high labour costs and the unwillingness of farmers to work a seven-day week. In the more recent period, high feed costs had been a contributing factor. Given the declining cow numbers it was difficult to assess future developments. Output was expected to stagnate at present levels, but much depended on labour and feed costs and on domestic demand.

35. A member said that questions of predictable access were fundamental. There were no prospects of a long-term production increase in his country unless his government was convinced of long-term favourable price and access conditions in its major markets.

36. A member said it should be recognized that a variety of factors played a rôle in different commodity markets. It was hard to make reliable forecasts. It was therefore necessary to consider the likelihood and durability of different long-term trends and at the kinds of market arrangements that should be made to moderate their impact.

#### Sugar

37. A member noted that the present sugar situation was one of tight supply and shortages, with prices at record high levels. World consumption had in recent years grown at above 3 per cent per annum, reflecting increasing standards of living and increasing demand. Production had failed to keep pace, even after quotas under the International Sugar Agreement had been suspended. Stocks had been continuously reduced. He believed that in the current year production and consumption would balance, and that no significant increase of stocks was expected. In the event of major crop failures the present shortage might be maintained or worsen. Although present prices were several times higher than those producers and consumers had been ready to discuss in earlier negotiations, they had not led to higher production levels as they had in 1963. This was significant, because it showed that producers, and especially those who relied on export markets for cane sugar, remembered that in the 1960's when high prices and hopes for markets had led them to increase output, their plans had been thwarted by an increase in sugar production in certain key markets. Although his country, and many developing countries, had the capacity and could produce more if trading

arrangements were adequate, his country was not prepared to take such a decision and run the same risks as in the past. New cane mills and new land were expensive, and could not be financed without some assurance as to prices and markets. His government believed that conditions existed for sensible international action on sugar marketing and it would continue to work towards an effective international agreement. While the present time of high prices might not be right for reaching agreement acceptable to producers and consumers, it must be recognized that the industry's vulnerability to price and monetary fluctuations would inhibit further expansion of output unless firm marketing arrangements are made in the context of either the International Sugar Agreement or of secure bilateral arrangements. His government would continue to supply importing nations on the basis of reasonable bilateral agreements, which should be capable of being incorporated into a multilateral agreement with full economic provisions.

38. A member, in broad agreement, said that prices depended on supply and demand but only if market forces were given free play, which they were not, especially as regards international trade in sugar. In the absence of assured market access, he could not foresee an expansion in production which involved long-term expensive decisions. He, too, would like to see the present International Sugar Agreement strengthened and made meaningful for producers as well as consumers.

39. A member said that his country, as one of the largest importers, attached great importance to the sugar trade. The situation had been tight since 1971, after production falls in a major Latin American and a major centrally planned country had been followed by only slow increases in major producing countries. The price response had been amplified not only by speculation but because about one half of international trade was undertaken through special channels and arrangements. Future market conditions for sugar depended among other things on how production could be expanded in response to growing demand.

40. A member said that the facts of the market were known, and that a major point of concern was the present low level of stocks. There were three ways of increasing production: improving productivity of existing mills; expanding or restructuring of existing industries; and the creation of new units in producing countries or in those where there was no production at present. An increase was linked to returns on and security of investments. During the last ten years investments by international bodies had been below optimum, and had led to the creation of only three new installations in the world. Investment was therefore the fundamental problem, and the international trade negotiations should result in a mechanism that would promote security of investments.

Cattle and meat

41. Several members pointed out that according to projections made by various bodies demand for bovine meat in the major importing areas would continue to outstrip domestic supplies and that in these circumstances there would be a continuing requirement to import significant quantities of bovine meat.

42. In the view of some of these members who were also traditional or major suppliers to Western Europe of live cattle or chilled and frozen meat, it was necessary to find an arrangement under which long-term investment and production in exporting countries was not discouraged as had been the case up to now as a result of both the magnitude and the variability of the charges imposed under the import régime of certain countries. One of these members, noting that it had no objections against these countries' protective régime as such, stated that it was in the interests of importers as well as exporters to establish an element of long-term stability for production and trade so as to give exporters the incentive to produce and importers the benefit of assured supplies. What was sought was not absolute certainty but relative security as it existed in other areas of trade.

43. Another of these members observed that although world prices had increased significantly since 1970 and import charges had been suspended or reduced, the increase in price had taken place against a general background of inflation in which the cost of feeding stuffs in particular had been affected. The prospects of a rapid increase in supply did not exist and in these circumstances measures aimed at restricting imports were not justified and could induce a sense of uncertainty on the part of producers, whereas the willingness of exporting countries to expand their stocks of cattle was an indispensable condition to an assured supply of bovine meat. It was the view of this member that in the negotiations charges and duties should be sought which allow for a level of price which ensures the profitability of the industry and the expansion of production in the supplying countries. It was necessary to achieve a certain stability in import charges without which uncertainty as to outlets would diminish the will to produce and become a reason for declining production and an important obstacle to the expansion necessary to meet demand.

44. A member noted that recent restrictive measures against imports had prejudiced the exports of less-developed countries and had implications as regards investment in the development of cattle stocks. In this connexion reference was made to the instability caused by the variable levy and the adaptation of an important market to this system. Cattle numbers had increased in his country and would continue to do so given a certain security in respect of access and prices in the coming years. Account had to be taken of the fact that meat production was based on a relatively long production cycle, which in the case of replacement cattle extended to five or six years. In the interests of exporters and importers a more regular and stable situation had to be established and certain price levels respected. To this end efforts must be concentrated on putting some order into the market through commonly accepted disciplines and this was a responsibility of importers and exporters.

45. Another member said that his country supplied a number of geographically diverse and separate markets, and noted that the current market situation was complex and unstable. In common with other major producers it had increased its production and would continue to do so if the conditions of world trade provided stability and access. The projections that had been made indicated a favourable situation for exports of bovine meat. However the maintenance of remunerative prices would depend on sustained levels of real economic growth in major importing countries. Consumer reaction to higher prices and the impact of higher energy, feed grain and fertilizer costs would play an important rôle in meat markets in coming years. Furthermore a situation had been seen where the international meat market had been extremely volatile and subject to fast turnarounds in market outlook due to stockholding and stockpiling by importing countries and exchange rate fluctuations. In such a situation of uncertainty and where major markets changed their import policies on short notice, exporters had great difficulty in coming to a firm view as to the long-term prospects for meat production and trade. He expressed the hope that during the course of the negotiations there would be a very detailed analysis of the world meat market and that some conclusions, and hopefully some solutions, could be arrived at which would allow exporters to conduct and increase their trade on the basis of predictability of access and remunerative prices.

#### Citrus fruit

46. A member said that according to his information there were substantial changes in prices of citrus fruits in 1973-1974. He felt that these changes might indicate a new trend which would characterize international trade in citrus fruits in coming years. As the document on citrus fruit prepared by the secretariat showed, there had been a certain stagnation of prices in 1968 to 1973. It had been accompanied by a considerable increase in costs of production and marketing expenses, resulting in a substantial decrease in revenue for producers.

47. A member underlined the structural problems in the field of citrus fruit, caused by low demand elasticity, a rapid expansion in production and a relatively slower growth in demand, which in recent years had resulted in a depressed market situation with low prices and unsatisfactory returns to producers. The general objectives of an international market policy for citrus fruit should be to assure fair returns to producers and simultaneously to provide adequate supplies at stable prices.

48. A member, expressing agreement, said that his country had a large production of citrus fruit but exports were small and had not risen with recent increases in output. It was hoped that exports would be raised as a result of the multilateral trade negotiations.

49. A member, by way of preliminary comment, welcomed recent improvements in market access conditions, though they were only temporary. He hoped they would be confirmed for some time to come. Certain sanitary regulations still presented problems which he hoped would also be overcome.

ANNEX IVPREPARATION OF DOCUMENTATION

1. Task 3 (set out in paragraph 3 of document MTN/2) is "bringing up to date and completing the analytical and statistical documentation assembled in the context of the Programme of Work adopted by the CONTRACTING PARTIES in 1967 in respect of all agricultural products (Chapters 1 to 24 BTN)".
2. The information submitted by delegations in accordance with the agreement reached at the meeting of the Group from 25 to 27 February 1974, (document MTN/3E/2 paragraphs 2 to 20) will be issued as a new series bearing the symbol: MTN/3E/DOC/- and the general title: GROUP 3(e) - BASIC DOCUMENTATION.
3. The following documents in the series are in course of preparation:

MTN/3E/DOC/1	Synopsis
MTN/3E/DOC/2	Agricultural policies
MTN/3E/DOC/3	Prices received by producers for certain agricultural products
MTN/3E/DOC/4	Self-sufficiency ratios for certain agricultural products
MTN/3E/DOC/5	Inventory of measures and mechanisms influencing exports
MTN/3E/DOC/6	Inventory of variable levies and other special charges on imports
MTN/3E/DOC/7	Inventory of quantitative import restrictions applied by countries covered by the Joint Working Group
MTN/3E/DOC/8	Inventory of quantitative import restrictions applied by countries other than those covered by the Joint Working Group
MTN/3E/DOC/9	Inventory of sanitary and phytosanitary regulations notified
MTN/3E/DOC/10	Inventory of various non-tariff barriers notified
MTN/3E/DOC/11	Tariffs. Progress report on the Tariff Study

4. For reasons of convenience, the above documents will in general consist of a cover sheet with separate addenda for each country or group of countries.

5. Delegations which have not yet submitted the information requested (see GATT/AIR/1071) should consider the present note as a reminder to do so as soon as possible, in order to enable the secretariat to proceed with the preparation of the documentation as envisaged by the Group.

ANNEX VVIEWS SUBMITTED BY DELEGATIONS1. SOUTH AFRICA

From the studies as well as the views expressed at the meetings of the Agriculture Committee and, more recently, of Group 3(e), it is clear that the high tariff rates and lack of secure access, are two of the major problems facing world trade in agricultural commodities.

While it is true that climatic conditions and diseases may have affected world supplies of certain agricultural products adversely the conclusion that lack of access has been a major cause of the unbalanced supply and demand position of these commodities on international markets, can hardly be contradicted - especially when account is taken of the fact that the latter problem has now existed for a long time.

In view of the spiralling costs of production, increased freight rates and monetary uncertainties, greater access to world markets and particularly security of access and in some instances lower tariffs would be essential if international trade in agricultural products is to be placed on a sound footing and shortages are to be avoided in the future.

In this respect attention is drawn to the record of South Africa as a regular supplier to world markets of certain agricultural products such as sugar, wool, fresh and canned fruits, despite its erratic and unfavourable weather conditions. This could be achieved partly because of the fact that South Africa has enjoyed, up till now, relatively secure access to world markets for these products.

2. CANADA

In Canada's view the following conclusions can be drawn from an analysis of recent changes in world commodity markets:

1. A wide range of factors has led to higher prices and significantly lower stocks for many farm products in the last few years. In the past periods of relatively short supply and high prices have been followed by periods of over-supply and depressed prices.
2. While the relative weight given to the various factors may vary somewhat from commodity to commodity and from country to country, an examination of current and past market conditions for the agricultural commodities under review suggests that the cumulative effect of years of unduly restricted access, the widespread use of export subsidies and other export aids, and the consequent build-up of burdensome stocks, has been to discourage the expansion of economic and efficient agricultural production, to force curtailment of production in some cases, and contribute significantly to the uncertainty of supplies and the severity of agricultural commodity price fluctuations. In addition, in view of rising production costs, there may well now be a reluctance on the part of many producers to increase production unless solutions are found to some of these problems.

With regard to the implication of this analysis for the Multilateral Trade Negotiations, Canada would draw the following general conclusions:

1. Barriers to access, both tariff and non-tariff, continue to be key factors in the trade in agricultural products;
2. Wide fluctuations in supplies and prices of agricultural products on a world basis can be moderated by trade liberalization.

In the Canadian view, the Multilateral Trade Negotiations should attempt to establish a framework for international agricultural trade which would encourage expansion of economic production and thereby increase the security of supply of agricultural products at reasonable prices. We could see attaining this by:

1. A substantial improvement in and continuing assurance of access to world markets by the dismantlement of tariffs and non-tariff barriers;
2. Eliminating export subsidies and other aids to exports;
3. Where appropriate for certain commodities, developing commodity arrangements which contain a range of elements;
4. Effective measures to prevent the subsequent erosion of access undertakings.

### 3. EUROPEAN COMMUNITIES

#### LESSONS TO BE DRAWN FROM THE SITUATION ON WORLD MARKETS FOR THE APPROACH TO BE ADOPTED IN THE AGRICULTURAL NEGOTIATIONS

##### FOREWORD

During the last meeting in April, Group 3(e) agreed to continue, at its next session, its analysis of recent changes which have affected the world's agricultural markets and to begin discussions on the identification of problems arising in these markets and the significance of these problems for an approach to the agricultural negotiations.

To facilitate discussions, delegations were invited to send in writing to the GATT secretariat, their views on the questions raised.

This document sets out the view of the European Economic Community on all questions which will be discussed during the next meeting of Group 3(e).

#### I. SURVEY OF THE PRESENT SITUATION

1. The present situation on the world's agricultural markets differs from that which has existed throughout most of the last twenty years.

Whereas previously agricultural production was expanding more rapidly than effective demand and stocks held by the major exporting countries assumed alarming proportions, an opposite situation has now prevailed for rather more than eighteen months. For many agricultural products and foodstuffs, there exists imbalance between world supply and demand which caused a significant fall in stocks and a spectacular and widespread increase in prices.

2. In the view of the Community, these recent changes affecting production, consumption, and world supply and demand, result from a combination of new tendencies which have developed over the last few years and accidental circumstances.

3. There is no doubt that world markets were in 1973 affected by the exceptional demand for cereals and soyabeans allied with a massive intervention on the market by new buyers and a drastic fall in the supply of fishmeal and rice, all this in conditions of increasing inflation.

4. This combination of events occurred at a time when the annual growth rate in the production of most agricultural products had been slowing down since the end of the previous decade, this general trend being sometimes obscured by the ups and downs of production from year to year.

The sustained and progressive running down of stocks, which proved inadequate in the circumstances when faced with the events of 1972/73 is the manifestation of this trend.

5. It is difficult to know with certainty the factors responsible for this trend in production. Some can, however, be indicated but without specifying their respective impacts:

(a) climatic factors which affect agricultural output each year appear in recent years to have influenced the trend of production abnormally. Scientists question whether these climatic changes are of a long-term nature or only a passing phenomenon;

(b) the sustained high growth rate of production achieved at the end of the sixties was only possible thanks to a more intensive use of available resources, investment and inputs. Though it is true that factors of production are still not fully utilized, they are not inexhaustible and their utilization becomes economically more and more costly;

(c) instability of prices which characterized international trade in some important agricultural products caused producers to adopt a cautious attitude regarding their production policies;

(d) furthermore, it seems that governments tend to gear their agricultural policies and especially their stockpiling policies to annual fluctuations in production and prices.

6. At the same time, consumption has continued to expand in general as a result of population growth and higher earnings, with the latter factor also inducing consumers to turn more towards expensive, high-protein foodstuffs.

7. This convergence of economic and structural factors has brought about for some important products a considerable increase in prices on markets which have, in any case, always been prone to instability due mainly to the fact that international trade bears only upon a small proportion of world production.

#### B. MAJOR PROBLEMS FACING GOVERNMENTS

8. Since the present situation is characterized by a shortage of supply in many world agricultural markets, the question is how long this situation can last. The uncertainty surrounding this question is heightened by the unforeseeable repercussions of present problems in the energy and monetary fields.

In these circumstances any approach to the problem of the world's agricultural markets, whether it be global or product-by-product should allow for any future development: the continuation of present shortages, the reappearance of surpluses and the alternation of these situations.

9. Price instability, which has always been a feature of the world's agricultural markets, has become more marked as a result of the climate of uncertainty which such instability also helps to perpetuate.

This also is a problem which must be tackled, and it must be tackled in conjunction with the other.

10. The extent and nature of these problems have also tended to undermine international co-operation which has been unable to adjust to them. This lack of concerted action has resulted in accentuating these problems.

### C. GENERAL APPROACH TO THESE PROBLEMS

11. In considering the preceding points, it is the view of the Community that the approach to the agricultural negotiations should aim to create, in accordance with existing policies, their principles and mechanisms, conditions for a better adjusted supply situation which will enable world markets to develop along lines more satisfactory to importers and exporters alike.

12. In order to ensure, as between the various commodities which comprise the agricultural sector, an allocation of resources which corresponds with foreseeable consumer demands, systematic arrangements should be made for a regular exchange of information on the basis of which periodic analyses of the situation could be carried out in common so that each government could then make use of these analyses in formulating its policy.

13. For the basic products which are essential to human nutrition and decisive for the equilibrium of the agricultural sector such as cereals, rice, sugar and the most homogeneous milk products, international agreements should be negotiated. These agreements should contain machinery which should be adapted to the market characteristics of each product concerned for correcting the market imbalances which result inevitably from the fluctuations inherent in agricultural production.

This machinery should provide for the establishment of a concerted storage policy which, while facilitating the implementation of food aid programmes would be so designed as to absorb surpluses or to ensure adequate market supplies in the event of shortages.

It should include a price mechanism, the stabilizing rôle of which would have to be reinforced by the storage policy and which would include elements which would serve as guidelines for the action to be taken to increase or reduce stocks.

14. In the case of other products which are not suited to international agreements, joint disciplines should be negotiated which would ensure that the operations of exporting countries on the world markets run smoothly.

15. To the extent that stability on world markets has been achieved as a result of implementing the international agreements or joint disciplines which have been agreed, the application of import mechanisms will be adapted to this new situation.

16. The Community considers that such a global approach would, by further safeguarding trading conditions, ensure that world trade would develop in the best interest of both exporters and importers.

4. JAPAN

The view of the Government of Japan with regard to Item 4 of the Work Programme

(This view will not prejudice, in any way, the position of the Government of Japan in the Multilateral Negotiations, it being understood that it has been submitted to the secretariat in the context of paragraph 3 of MTN/3E/3.)

I. Problems of the world supply-demand situation and international trade in agricultural products

(1) The world supply-demand situation in agricultural products, after having experienced a surplus for a number of years, showed a shortage in 1971 and 1972. The stock levels of the main agricultural products have been sharply diminished, and their prices have consequently soared. The economy of importing countries, whether developed or developing, has thus been greatly affected by such changes in the world supply-demand situation. Although there were some signs of improvement in the world market as a result of the growth of agricultural production in 1973 mainly due to an increase of production in the USSR, it should be pointed out that there has been a growing amount of anxiety and misgiving as to the future supply-demand situation because of the experience of the past two years as well as the factors which are described in sub-paragraphs (2) and (3) of this paragraph. (Although the production in the main producing countries is increasing, there is no denying the fact that there is a dire need to replenish the stocks which have been significantly reduced. For these reasons, the situation will remain unstable at least for the time being in terms of supply-demand, the volume of trade, and the level of price of the main agricultural products.)

It should also be recognized that a new problem area has been created in the international trade system by a series of export control measures which have been taken in the course of the recent changes of supply-demand situation.

(2) As was pointed out in earlier meetings of this group, in spite of the improvement of production techniques, one cannot counteract the influence of recurring abnormal weather conditions on a global scale, and this fact was well reflected in the recent changes in the supply-demand situation. As some delegations pointed out, such a shortage in agricultural products has happened before and in the past we managed to tide it over through the concerted efforts of the countries concerned. However, in analyzing the factors which have affected the recent changes in the supply-demand situation, and in the process of future work, in the view of the Japanese Government, we should reflect upon the following fundamental factors, and not risk being beguiled by merely superficial phenomena:

- (a) An increase in domestic and import demand for, in particular, feed grains which follows the expansion of livestock consumption mainly in developed countries;
- (b) A rapid increase of population in developing countries and the stagnation of food productions there;
- (c) The instability of agricultural production in centrally-planned economy countries which have come to exercise increasing influence on the trends of international agricultural markets, and an increasing demand for feed grains with the expansion of the livestock consumption in those countries;
- (d) Unpredictability as to the future prospects of the international market which may be attributed to the fact that whereas the world supply-demand situation of agricultural products is undergoing a substantial change, adequate information on production, consumption and other relevant elements are not available. (The main exporting countries had some difficulty in taking appropriate production and export measures to minimize possible serious impacts on consuming countries, because they did not find themselves in a position to foresee the rapid changes in demand.)

(3) In addition to the above factors, the following elements may be regarded as those factors which substantially affected the world agricultural market in 1972 and 1973:

- (a) the parallel economic growth of the main countries;
- (b) world wide inflation;
- (c) instability of currencies;
- (d) speculative activities in commodity dealings.

II. The items to be examined in connexion with the work under the latter part of Item 4 of the Work Programme

It is desirable not only for the consumers in importing countries but also for the producers in exporting countries, to stabilize the world supply-demand situation and international prices of agricultural products. From this point of view, the Japanese Government is of the opinion that the basic approach to the forthcoming agricultural trade negotiations should, in line with the general objectives of the negotiations, considering the special nature of the agricultural sector and based upon mutual benefits through co-operation of exporting and importing countries, seek for a steady expansion under stable market conditions.

Furthermore, in the process of negotiations, due consideration should be given to such objectives as the effective use in the long run of limited resources, the solution of the world food problem, quantitative expansion and stabilization in the supply of agricultural products. These considerations are made imperative by those conditions relevant to the future supply-demand situation of agricultural products which may be summarized as population increase, expansion of the live-stock consumption, influences on agricultural production caused by weather conditions and the limitation of agricultural land resources.

On the basis of the above considerations, it will be suggested that the following elements be examined in undertaking the assignments under the latter part of Item 4 of the Work Programme, that is to say, identification of the problems which result from world agricultural markets and of their significance for an approach to negotiations in the agricultural sector.

- (a) It should be recalled that in the past trade negotiations the main efforts were concentrated on the aspect of an expansion of the access to import markets and the maintenance of the negotiation results. And in the examination of techniques and modalities, which was undertaken within the framework of the Agriculture Committee of the GATT, discussions were focused upon the aspect of import access, and no approach was made from the view points of supply.

However, the recent events in the field of international trade have indicated a necessity for the examination of concrete measures to stabilize the supply and prices. In respect of agricultural trade particularly, it is important to eliminate the factors which may affect a stable supply to the importing countries of the main agricultural products, such as foodstuff, through fair and just international rules concerning export control measures. The international mutual dependence is becoming more apparent even in the field of agricultural products, and importing countries will probably be reluctant to rely on the supply of agricultural products from foreign countries unless they are accorded such effective guarantees for their supplies.

Furthermore, exporting countries must be equipped with adequate stocks in order to continue a stable supply to importing countries.

- (b) The following elements should also be examined:
- (i) the establishment of an international co-operation system for the collection of information about agricultural products and for their analysis;
  - (ii) the provisions of measures to protect traditional and regular trading countries from possible distortions caused by countries trading erratically;
  - (iii) the relationship between the food problems of developing countries and agricultural trade negotiations.

5. NEW ZEALAND

TRADE NEGOTIATIONS COMMITTEE: GROUP 3(e)

Statement of New Zealand Views on Task 4

In the New Zealand view the most significant development in recent years was the simultaneous advent of climatic conditions which adversely affected agricultural production in a number of regions. This occurred at a time of generally buoyant demand conditions, associated with strong inflationary trends throughout the world. The high commodity prices, and the rare experience of unilateral relaxations of import policies by a number of major countries which this situation promoted, served, however, to underline the basic instability of production and trade in agricultural products which, in the absence of internationally agreed stabilization measures, has always been characteristic of the sector.

Seen in the longer term perspective, the recent shortages cannot be regarded as indicating a major structural shift in the supply/demand patterns for all agricultural products and as heralding a continuing short supply situation. This has been highlighted by developments this year when the previous upward trend of prices for some major temperate agricultural products has significantly reversed, while some commodities have faced the reintroduction of severe and disruptive protective measures at the frontier.

The experience of the past few years, therefore, has added a new dimension to the uncertainties which are inherent in agriculture, pointing to the damaging effects of both relative shortage and relative abundance. But it has to be remembered that in addition to climatic influences, the tight supply situation for some products was also a reflection of producer reluctance to expand production in the face of uncertainty of access in the major markets, the threat of disruptive protective action and distortions in marketing resulting from export subsidization.

The major question to be resolved in the negotiations, therefore, is how to create enduring conditions of security in which producers dependent on export trade will be given the incentive to maintain and expand production at levels necessary to meet the demand engendered by a growing world population and higher living standards, while being confident of assured market access. This will involve the identification of those elements which have contributed to the uncertainties of the past and a reconciliation of these in a way which allows the objectives of these negotiations, the expansion and liberalization of trade, to be achieved for the agricultural sector.

Assurance of market access is obviously a key element in achieving any secure basis for continued long-term trade expansion in agricultural products. It is appreciated that climatic and other factors can on occasion bring about surpluses on a scale sufficient to constitute a major threat to national production patterns and commercial trade. Conversely, relative scarcity can threaten consumption levels and aggravate price inflationary trends. Another question to be taken up in these negotiations, is therefore, whether arrangements can be reached which would give more certainty to international trade in agricultural products in periods both of surplus and of shortage, involving, inter alia, the safeguard measures which might be justified under specified conditions together with the limitations which might be placed on them, and the circumstances under which supplies might be assured to the international market in times of shortage. Nevertheless, if they are to achieve their objective, access provisions must represent an enduring security irrespective of temporary fluctuations in production levels and market conditions.

The participants in the negotiations will also have to decide on the negotiating procedures most appropriate to achieve the objectives of the negotiations. For some agricultural commodities it should be possible to secure stability and expansion of trade, through across-the-board approaches of the kind being discussed for industrial products. Production and trading circumstances are not the same however for all commodities, and for certain of them individual commodity solutions will need to be pursued and new kinds of multilateral arrangements devised to deal with the range of problems that face the international trading community.

6. AUSTRALIA

ANALYSIS OF CHANGES IN WORLD AGRICULTURAL MARKETS

Australian View

Fluctuations in supply and prices are not new phenomena in world agricultural trade. The main feature of world export prices of agricultural commodities compared with manufactured exports prices over the last twenty years is a more or less steady erosion in the terms of trade which has only been arrested in the last two years. Many of the influences affecting world agricultural production are of an episodic or cyclical nature. In analyzing changes in past years and in seeking to identify the problems for world markets and their significance for an approach to negotiations in the agricultural sector the Australian delegation considers that detailed consideration needs to be given not only to actual changes in production, consumption, and prices and in the level of trade but also the underlying causes of instability whether short term or longer term.

Australia has been responsive to a situation of world shortage in recent years through diversification and increased investment particularly in the livestock sector. The Australian Government took account of representations from importing countries of the need to expand exports and their expectation that trade would increase at a steady pace. The situation at the present time is far different from that of only a few months ago. Two of the major markets for Australian beef exports have been effectively closed on an indefinite basis. These restrictive measures have been imposed without prior consultation between the countries concerned and exporting nations.

A major conclusion drawn by the Australian delegation from the consideration of these matters is that lack of secure access to markets will have a serious impact on the longer term development of agricultural export industries and will adversely affect the generation of necessary investment. Any approach to the multilateral negotiations should cover shortage and surplus possibilities equally.

In order to achieve stability with growth in world agricultural markets and trade the Australian delegation supports the negotiation of the level of protection for agriculture along with the framing of internationally agreed guidelines on aspects of national policies affecting international trade in agriculture and the negotiation of long-term international or bilateral commodity agreements for appropriate commodities. Where commodity agreements are not an appropriate or practical solution in relation to the problem of greater stability effective means of international liaison and consultation should be developed.

Negotiated measures may need to be implemented through national policies or through international action or a combination of both to achieve greater long-term stability in world agricultural trade on both the supply side and the demand side.

Whilst the circumstances of individual commodities vary Australia considers that there are a number of questions which suggest themselves in seeking to identify the problems for world markets and their significance for an approach to negotiations.

- (a) What scope exists for national or international measures by both exporting and importing nations to counter short-term fluctuations in supply and demand.
- (b) What scope exists for national or international measures to reduce the likelihood of chronic shortage or surplus in the longer term.
- (c) What scope exists to establish mechanisms to reduce fluctuations in domestic and international prices and to maintain prices at levels that are remunerative to efficient producers and fair to consumers.
- (d) In association with action to provide a framework for a more stable and growing world market for agricultural products how can existing trade barriers be reduced or removed and the imposition of new barriers of either short or long-term character avoided.

- (e) What steps are open to be taken regarding other measures or mechanisms which may cause instability in international agricultural trade.
- (f) Where more formal arrangements or more highly developed solutions are not appropriate or practical is there a consensus in favour of developing effective means of international liaison and consultation.

## 7. UNITED STATES

It was agreed at the Group's second meeting that delegations should prepare statements of their views on:

"Questions that had arisen in, and the conclusions to be drawn from, the discussions that had taken place on the analysis of recent changes on the world market, or any other relevant question of interest to them."

Before we state the factual conclusions which we draw from the assessment of recent changes in world markets, it is appropriate to recall why we have undertaken to make this assessment. It was not undertaken as a routine fact-finding exercise. This would, of course, have been appropriate under any circumstances. However, circumstances were not normal. In 1972 world food production declined for the first time since the end of World War II. There was a tremendous upsurge in the world's import demand for food grains and feedingstuffs. World market prices of basic farm products doubled and tripled and some countries felt obliged to impose, for one reason or another, export restrictions thus further reducing the supplies available on the world market. Our discussion focused, therefore, on the question whether the phenomena which we observed in and since 1972 were merely temporary or whether they were indicative of new trends in the world's grain and feedstuffs supply.

The conclusions which we draw from the analysis of recent developments fall into two parts: On the one hand, we believe that an evaluation of recent developments does not warrant the conclusion that we have arrived at a turning point in the world's supply and demand of agricultural commodities. It is apparent that the production response triggered by high prices and deliberate United States farm policy adjustments produced a turn-around in the wheat, feedgrain and protein meal situation in the past crop year. World wheat and feedgrain prospects for 1974/75 remain strong-production is provisionally put at 2 and 3.6 per cent, respectively, above 1973/74. Output of oilseeds and meals (soybean meal basis) in 1974 is estimated to be 19 per cent above 1973 and a continued improvement is foreseen for 1975. These developments should more than satisfy world requirements so that many countries can begin to replenish reserves that were severely reduced last year. In other words, we do not believe that the recent events on the world markets indicate a period of scarcity. On the other hand, recent experiences indicate that we cannot dismiss the possibility of a renewal of temporary shortages or surpluses in the future.

1. The shortfalls in production, while of major importance in individual countries, were not of extraordinary dimensions on a world scale. In 1972/73, as compared to 1971/72, world rice production declined by only 5 per cent; world wheat production declined by only 2 per cent; world feed-grain production declined only by 3 per cent; and the output of oilseeds and meals (in terms of meal) increased actually by 3 per cent.
2. The shortages in individual countries were translated into a very strong import demand. Compared to the previous year, wheat imports in 1972/73 increased by 26 per cent, feedgrain imports by 21 per cent and imports of meals by 4 per cent.
3. It was partly, in consequence of this extraordinary strong import demand the location of supplies relative to demand and transfer problems that the prices of wheat and other grains as well as of feedingstuffs increased so strongly in 1972/73. However, it must be pointed out that the phenomenal rise in prices was not only due to the strong import demand generated by the shortfalls in production in certain countries, but also increasing population, rising incomes and associated changes in dietary habits. The increase in the prices of these products was further stimulated by the general inflationary climate in which it took place. It was further intensified by the restrictive export policies of certain countries which increased uncertainty with regard to supplies thereby increasing demand through precautionary and speculative purchases.

4. Finally, it must be pointed out that the tight supply situation on the world markets was as much the result of ill-guided policies as of unfavourable climatic conditions. Had import policies of many countries not forced the major exporting countries to restrict their production and had there been a more rational distribution of stocks throughout the world there would have been less tension on international markets and greater supplies available in world markets.

5. Thus, our general conclusion is that the events of the past two years should not be interpreted as indicating that the growth potential of the world's agriculture has been impaired and that we face a period of scarcity. In reaching this conclusion we also take account of recent theories concerning long-term changes in the world's climate. These theories do not represent at the present time more than unproven hypotheses. They cannot serve as point of departure for future policies.

6. Along with these theories there may also be new factors and forces such as the recent structural changes in the oil market and changing relative prices for industrial raw materials, which will have an important influence on world agriculture in years to come. Yet the presence or absence of these forces does not alter the general conclusion of production variability in agriculture. Hence we cannot enter negotiations with the expectation that the future will be characterized by either permanent shortage or by permanent surplus.

Our factual analysis of recent changes in supply and demand contained implicitly also the "problem" which we are called upon to identify. We believe that this problem arises because governments in many cases have implemented agricultural policies without due regard for their global effects. These policies were characterized by the fact that many importing countries pursued restrictive import policies which prevented the full deployment of the productive capacity of efficient exporting countries; and that a number of exporting countries restricted exports at a time when they were most needed.

In the United States view the solution of this problem calls for a more open trading environment than has existed in the past, leading to a better allocation of resources, increased productivity and specialization permitting efficient producers to respond quickly to the growing and changing pattern of consumer demand worldwide. Such a system will lead to a better and more stable balance of supply and demand. Moreover, such a system will be better suited to cope with temporary imbalances that may arise from time to time.

To achieve a more open trading system we see the need for dealing with a broad range of governmental measures which impede and distort international trade flows. Undoubtedly some degree of international understanding on the use

of trade controls relative to domestic measures will be required. As part of such an international understanding, it may be desirable to achieve a better co-ordination of those internal policies which are undertaken to moderate extreme fluctuations in food supplies and prices.

These are the views of the United States regarding the identification of problems and negotiating implications resulting from the commodity studies this group has conducted. We believe these views provide a realistic and workable framework upon which to base further work as these negotiations go forward.