

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Multilateral Trade Negotiations

GROUP 3(e) - WORK ON TASK 4

KEY POINTS MADE AT MEETING OF APRIL 1974

Note by the Secretariat

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 intensivity 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 meals. 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.