

GENERAL AGREEMENT ON TARIFFS AND TRADE

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UNITED STATES IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

Report of the Working Party

1. The Working Party has examined the Fifth Annual Report submitted by the United States Government, under the Decision of 5 March 1955, on import restrictions in effect under Section 22 of the Agricultural Adjustment Act, on the reasons for the maintenance of these restrictions and on the steps taken with a view to a solution of the problem of agricultural surpluses (L/1048). On the basis of that Report, and with the assistance of the United States delegation, the Working Party has reviewed the action taken by the United States Government under the Decision.

2. The Working Party was appreciative of the comprehensiveness of the Report submitted by the United States and the clarity and detail with which the information was presented. While noting that there had been a reduction in the levels of the support prices of most of the commodities subject to control, the Working Party expressed serious concern that since the submission of the previous Report there had been no relaxation of import controls and little progress towards the achievement of a better balance between supply and demand with respect to certain commodities. Some members were concerned about what seemed to be an underlying assumption in the Report that the need for the maintenance of restriction would continue for an indefinite period.

3. The Working Party noted that the import quotas currently in force applied to the same six groups of commodities as in the previous year; wheat and wheat products, cotton and cotton waste, rye and rye flour including meal, peanuts and peanut oil, tung nuts and tung oil, and a number of dairy products. In addition, flax seed (including linseed oil) had continued to be subject to an import fee. No measures of relaxation had been taken in the past year. The Working Party also noted that the Tariff Commission, which had reported on the need for import regulations for almonds during the 1959/60 period, had been evenly split on the need for such controls and that the President had not yet acted on the Tariff Commission's report.

4. In discussion on the Report, members of the Working Party placed special emphasis on the cardinal rôle of price policies in the operation of the agricultural adjustment programmes. They pointed out that the high level of support prices, because of its effects on both production and consumption, was the major cause of the continued imbalance between the demand for and supply of agricultural products. The high level of United States support prices had the effect of stimulating uneconomic production by giving farmers guaranteed prices

and outlets for their output, thus insulating them from competitive forces of the world markets. On the supply side, therefore, the situation could be improved by progressively reducing support prices. So far as demand was concerned, high support and consumer prices had the effect of limiting consumption. Unless a determined effort were made to reduce the level of support prices it would be difficult to secure the relaxation or removal of import restrictions in the near future. For those commodities subject to Section 22 restrictions, where there had been improvement in supply and demand conditions in the United States, there appeared to be a strong basis for a relaxation of import restrictions.

5. The Working Party noted with appreciation the Administration's efforts to increase consumption of agricultural produce, including its record of donations. Nevertheless, many members considered that the United States Government should examine the possibility of introducing some system which, by lowering prices to all consumers, would stimulate further increased consumption and would not require the imposition of import restrictions. In this connexion, reference was made to the relatively low per caput consumption of dairy products in the United States and to the experience of several countries where lower prices had brought about a substantial rise in the consumption of butter.

6. The Working Party noted with serious concern that the Administration had been unsuccessful in securing legislation for a more flexible pricing system for agricultural support prices but noted with satisfaction the indication given by the representative of the United States of the possibility of modifying the present system. The Working Party expressed the hope that the new system would take full account of the representations and suggestions that had been made by the present and previous year's Working Party.

7. The representative of the United States drew attention to the considerable effort which the Administration was making to bring about a better balance between supply and demand and to restore the free price mechanism. Attempts had been made to lower support prices and increase consumption. He pointed out that, although government stocks of some commodities such as wheat and corn were at record levels, stocks of other commodities had been reduced and, with the improved position on these commodities, the Administration confidently hoped that some modifications in import controls would be possible. It was, however, essential to stress that the United States authorities would not be in a position to allow unlimited imports of commodities such as wheat, cotton and peanuts so long as domestic production was subject to restriction.

8. Members of the Working Party noted that, despite the reduction in acreages for various crops, improved cultivation had led to larger production because of the concentration on the better types of land. The representative of the United States agreed that notwithstanding drastic reductions in the acreage for certain crops such as wheat, cotton and peanuts, production had continued to increase. This was under examination and more emphasis was now being placed on the Conservation Reserve Programme under which acreage was entirely retired from cultivation.

9. Attention was drawn to the stimulation afforded to wheat production by high support prices. The large surplus stocks of wheat held in the United States had led to a programme of surplus disposal and efforts by the United States authorities to increase commercial sales. In some circumstances these attempts to reduce stocks caused disruption of normal trade and created problems for other wheat exporting countries. Particular reference was made to the frequent changes in the levels of export subsidies paid to United States wheat exporters.

10. Members of the Working Party noted with appreciation the statement of the United States representative expressing the hope that the next decision on rye would be in favour of countries interested in exporting this commodity to the United States. They also stressed their view that the world price situation and relatively strong demand for flax seed should lead to some modification of the highly protective measures adopted by the United States for this commodity which resulted in what amounted to an almost complete embargo on imports. At the same time they expressed gratitude for the restraint shown by the United States authorities in the subsidizing of exports of flax seed to free markets.

11. Particular attention was directed to the section in the Report dealing with dairy products and the Working Party expressed its appreciation for the statistics, showing trends in production and consumption, of dairy products which had been supplied by the Government of the United States in response to a suggestion made by the Working Party which had examined the previous year's report. The Working Party noted that support prices for all the commodities subject to import controls had been reduced in the period under review with the sole exception of the prices for dairy products. They stressed their serious concern at this exclusion of dairy products from the general lowering of support price levels, particularly since in their view the increase in production per cow indicated that support price levels of dairy products could be reduced without serious effects on incomes of domestic producers. They stressed that a legislative reduction in the present minimum support level for dairy products was an essential requisite to a solution of the problem. The Working Party pointed to the extremely small size of the import quotas for many of these products. On butter for example, the quota represented only 0.05 per cent of total consumption in the United States. They strongly urged the United States Government to allow a significant increase in quotas for all dairy products. Even a marginal restraint on domestic production and a small stimulus to consumption could lead to a large increase in import requirements. In their view, the considerable increase in world market prices for dairy products in the last six months and the good prospects that existed for a continuation of the present situation in world dairy products market conditions, made the need for protection of the United States dairy producer correspondingly less than before. They stressed their view that the tariff concessions on dairy products granted by the United States in the 1947 round of tariff negotiations had been nullified by quota restrictions, and urged that the quantities of butter permitted to be imported into the United States should be at least the amounts for which these tariff concessions had been negotiated. Members of the Working Party noted that no stocks of butter were now held by the Commodity Credit Corporation and expressed their regret that, despite the substantial

improvements in the position for dairy products, no progress had so far been made by the Administration in securing the relaxation of import restrictions on these products.

12. The Working Party also noted that certain types of cheese were subject to import restrictions while other types were not. Some members found it difficult to understand the United States view that unrestricted imports of particular types of cheese would interfere with the price support programme for milk and butterfat, while imports of other varieties would not have this effect. While they noted that uncommitted stocks of cheese held by the Commodity Credit Corporation had increased from 19.3 million lbs. on 30 June 1959 to 31.5 million lbs. on 30 September 1959, they pointed out that there had nevertheless been a considerable improvement in cheese marketing conditions as was evidenced by the marked fall in the volume of governmental price support purchases in 1958/59. They noted with satisfaction that the Tariff Commission had been directed to examine whether existing quotas on imports of Edam, Gouda and Italian-type cheeses of cows' milk could be modified to permit additional imports, and expressed the hope that the results of this investigation would be increased opportunities for exporters of these types of cheeses. Members of the Working Party expressed their dissatisfaction that the investigation had been limited to these types of cheese. They strongly hoped that the result of the investigation would be the removal of restrictions on Edam, Gouda and Italian-type cheese, and that such removal would soon be followed by the removal of restrictions on other cheeses. Members of the Working Party stressed that the continued application of import restrictions on these products caused serious damage to certain producing countries.

13. The representative of the United States pointed out that the support price for milk and butterfat established for 1958/59 had been continued for the current marketing season and was virtually at the minimum level required by law. He recalled that the Agricultural Adjustment Act provided for the relaxation of the restrictions when, after an investigation by the Tariff Commission, the President found that the circumstances no longer required the imposition of restrictions in their existing form. He assured the Working Party that it was his Government's intention to terminate the restrictions as soon as they were no longer needed to protect the operation of the agricultural programmes. He agreed that the improvement in the dairy products situation which had been observed at the time of the examination of the previous report by the United States Government had continued over the past year and expressed the hope that this continued improvement would permit substantial relaxation in the import restrictions on these products.

14. Generally, the Working Party stressed the effects of the restrictions imposed under the terms of the waiver on the export opportunities of other countries as well as on world prices and the difficulties they created for exporting countries. Governments of other countries were under constant pressure from their producers to follow protectionist policies and even small progress towards the removal of restrictions by the United States would be an encouragement to other countries to take similar action. It also noted that the

use of methods of protection involving restrictions on imports led to increased pressure on the markets or other importing countries which allowed free access for foodstuffs. They expressed serious concern that existing legislation permitted restrictions of trade over the whole field of agricultural commodities under price support. In concluding the review of the United States Report, members of the Working Party stressed the need for far greater progress in the coming year in the relaxation and removal of the restrictions.