

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W. 12/31  
21 November 1957

Special Distribution

---

CONTRACTING PARTIES

Twelfth Session

Working Party on Agricultural Waivers

## UNITED STATES IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

### Draft Report of the Working Party

#### I

#### THE UNITED STATES WAIVER

1. The Working Party has examined the Third 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, and has reviewed the action taken by the United States Government under the Decision.
2. The United States representative referred to the considerable improvement in the over-all situation evidenced in the report which could be regarded as a reflection of the determined efforts being made by the United States Government to solve the difficult problems with which it was confronted. The Working Party took note of assurances given by the United States representative that the policy aims of his Government continued to be directed towards achieving a better balance between supply and demand for the agricultural products involved, and that import controls would be maintained only so long as these were necessary to prevent imports from interfering materially with domestic agricultural programmes.

#### Steps taken to solve the Problem of Surpluses

3. The Working Party noted that the United States Government during the year under review had continued to undertake measures designed to alleviate the problem of agricultural surpluses, and observed that these measures were directed towards the reduction of crop production and the stimulation of increased consumption of surplus agricultural products. It was pointed out, however, that in the case of dairy products no specific measures for the reduction of production had been taken and, as disclosed in the report, milk production had continued to expand, support purchases of dairy products had increased during the year, and the level of surplus stocks held by the Government was rising.

4. Members addressed inquiries to the United States representative on the action being taken to reduce new crop supplies. Significant reductions in excess acreage had been made during the past four years, but it was pointed out that while acreage levels had been reduced to the minimum authorized by law, the United States did not yet seem to be reaching the position where resort to the waiver would no longer be necessary. Members inquired, therefore, whether or not the acreage allotments and marketing quotas could be periodically reviewed in the light of prevailing circumstances. The United States representative explained that the minimum acreage was fixed pursuant to relevant legislation and the only opportunity for review presented itself when the appropriate law came up for amendment. The law itself permitted fluctuations in acreage levels but there were limits to downward adjustments which could lead to drastic curtailment of production and financial losses to producers. It was to attempt to overcome this problem that the Soil Bank Programme had been introduced. This Programme provided for reimbursement to producers who cultivated a lower acreage than their legal entitlement. It had resulted in a reduction of acreage below the legal minimum. The United States Government regarded the Soil Bank as a temporary measure and not a final answer to the problem. If necessary, it would, therefore, consider the use of other methods of production control, particularly when the Soil Bank Programme expired in 1959.

5. The United States representative outlined the machinery for administering minimum acreage allotments. In the first instance the national acreage allotment was computed on a formula provided by law. The allotment was then allocated to the various producer States on the basis of past production. Within the States the allotment was further broken down to the various Counties. In each County a Committee representative of the local farming population then allocated acreages to individual farmers on the basis of comprehensive historical records of past production. The effective control was therefore at the local level of the farm community. A close check was kept and farmers who exceeded their allotments were subject to severe penalties.

6. The Working Party examined the reference in the Report to programmes undertaken by the United States to increase consumption. It was noted that the Report made no reference to certain programmes of surplus disposal, for example, no mention was made of disposals under Title I of Public Law 480. The United States representative explained that it was not considered that activities under this programme were appropriate to a report on import restrictions in effect under Section 22 of the Agricultural Adjustment Act. It was remarked that certain products which were subject to severe import control in the United States were being exported on non-commercial terms under surplus disposal programmes.

7. Attention was drawn to programmes administered by the Department of Agriculture which had as their object the expansion of markets for United States agricultural products through voluntary co-operation of the food distribution industry and public information media. The United States representative said that the programme in question related only to domestic activities such as the development of new industrial uses for agricultural products and the carrying

out of advertising campaigns. It was brought to the attention of the United States delegation that additional programmes are in operation by which Government funds are made available to organizations of private trade and industry in order to expand exports of commodities in plentiful supply. Some members considered that such Government-financed schemes gave the United States exporter an advantage over his competitors abroad and that such schemes constituted a form of export subsidy.

#### The Restrictions in Force

8. The Working Party noted with disappointment that not only had there been no relaxation in the import controls since the submission of the First Annual Report at the Tenth Session, but that the controls on dairy products had been amended to cover butter substitutes (including butter oil) containing 45 per cent or more butterfat, and other articles containing 45 per cent or more butterfat except those already subject to quotas. The import restrictions in effect during 1957-58 are applicable to the same six groups of products as in 1956-57 - cotton, wheat, rye, peanuts, flax seed and dairy products.

9. In its examination of the Report, the Working Party devoted particular attention to the section dealing with dairy products. The Working Party expressed concern that the production of milk had reached a record level and that despite sustained efforts to increase consumption, surplus stocks of dairy products were increasing. Members noted that although support prices for dairy products expressed as a percentage of parity had fallen in the past year, the support prices expressed in terms of dollars per hundred pounds had remained unchanged, and they inquired as to the possibility of some reduction being made in the support prices in view of the continued expansion of milk production. The United States representative explained that the increased production of milk was not due to an increase in the number of dairy farms, or to an expansion in dairy cattle numbers. On the contrary, both had declined in recent years, but many dairy farms were expanding their scale of operations and becoming more specialized. This trend had been accompanied by higher milk yields per cow and had led to increases in total milk production.

10. With regard to support prices the representative of the United States explained that in the determination of support prices for particular products, the Department of Agriculture was obliged to adopt an over-all approach related to the whole of the domestic price support programme. Price supports for dairy products, for example, were determined with a view to maintaining some relationship with the support level for feed grains. A reduction in the support levels for dairy products alone would inevitably cause disruptions elsewhere. With regard to the increase in surplus stocks of dairy products, the United States representative stated that the rising trend in support purchases of dairy products by the Commodity Credit Corporation during the first half of 1957 indicated in the report had been maintained through 30 September 1957. He expressed the opinion that in programmes for the disposal of the surpluses, the United States would continue to take special care to avoid sales that would disrupt domestic and foreign markets. There was a limit to the quantities which could be sold commercially for domestic consumption and export, and it had been

necessary to use the products to the greatest extent in other outlets such as domestic and foreign donations and sales at token prices for school lunch and welfare uses.

11. In examining the statistics of milk production and utilization, several members of the Working Party suggested that a clearer picture could be obtained if trends in domestic consumption of the main dairy products had been given. They expressed the wish that such details be included in future annual reports.

12. Some members referred specifically to the import restrictions on butter, the quota for which was approximately 350 tons per annum and exylone for which no import quota had been established. The quotas for dairy products had been based on imports during previous representative periods but in the case of exylone no import quota had been established on the ground that the period during which imports entered the United States before their prohibition was introduced could not be considered a representative one. Several members inquired whether, in view of increasing population and higher living standards in the United States, some upward revision of the level of the quota could be considered. The United States representative stated that quotas were imposed by the President on the basis of findings of the Tariff Commission after investigation and report. In some cases the Tariff Commission might consider complete prohibition of certain imports to be necessary to prevent them from interfering with the price support programme. However, the President's authority to establish quotas was limited by law and imports could not be restricted thereby below a level equivalent to that of 50 per cent of those imports during a previous representative period. The finding of the Commission, including what was to be regarded as a representative period, could only be modified under the relevant procedures of Section 22 of the Agricultural Adjustment Act.

13. Some members pointed out that the high level of domestic price supports was a major reason why import controls continued to be necessary. Members had noted that the level of domestic price supports was reflected in domestic consumer prices, many of which were above ruling world prices for the products concerned; and they expressed the opinion that there could be little prospect of relaxation or removal of import quotas in the near future unless there were a reduction of price supports. Therefore, it was suggested that efforts should be made to achieve such reductions as early as possible.

14. When the previous two reports were examined, some members had found it difficult to understand why import quotas were established for certain types of cheese while other types were unrestricted. They had concluded that the restrictions contained protective elements which were not directly related to the price support programme. These limitations were of concern to certain producing countries and they hoped, therefore, that the United States Government would pay particular attention to the possibility of affording increased opportunities for exports to the United States market. The United States representative replied that the selection of individual types of cheese on which quotas were to be imposed was made on the basis of a finding by the Tariff

Commission that those particular types of cheese would be imported under such conditions and in such quantities so as to materially interfere with the price support programme for milk and butterfat. He repeated his assurances that his Government intended to administer Section 22 in accordance with the provisions of that law and maintain import controls only as long as necessary.

### Conclusions

15. The Working Party expressed its appreciation of the comprehensive report submitted by the United States Government. It regrets that circumstances have not allowed the United States Government to make more rapid progress in the removal of restrictions on imports, but appreciates the efforts that are being made to solve the problem of surpluses and expresses the hope that these efforts will be increased and intensified. The Working Party recommends that the Report by the Government of the United States under the waiver of 5 March 1955 be accepted by the CONTRACTING PARTIES as adequately meeting the requirement of a report from the United States under that Resolution.

## II

### THE NETHERLANDS COMPLAINT UNDER ARTICLE XXIII

16. The Working Party also considered the question referred to it by the CONTRACTING PARTIES, at the request of the delegation of the Kingdom of the Netherlands, concerning the Resolution of 5 November 1954 on the United States import restrictions on dairy products. A number of members indicated that they continued to suffer serious damage from the application of import restrictions on dairy products. In view of the indication given by the Government of the Netherlands that concessions granted by the United States Government have been impaired, and as the restrictions have not been relaxed since the date of the Resolution of 5 November 1954, the Working Party agreed to recommend that the Government of the Netherlands, having recourse to the provisions of Article XXIII, be authorized to suspend the application to the United States of its obligations under the General Agreement to the extent necessary to allow it to apply a limit of 60,000 metric tons to imports of wheat flour from the United States during the calendar year 1958.

### Points for Decision:

Recommendations in paragraphs 15 and 16.