

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Trade Negotiations Committee

MEMORANDUM OF AGREEMENT ON BASIC ELEMENTS FOR THE NEGOTIATION OF A WORLD GRAINS ARRANGEMENT

The Governments of Argentina, Australia, Canada, Denmark, Finland, Japan, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the European Economic Community

HAVE AGREED as follows:

Article 1

Each signatory to this Agreement agrees to negotiate a world grains arrangement, on as wide a basis as possible, in a conference promptly called for such purpose, that contains the provisions set forth in Article 2, to work diligently for the early conclusion of the negotiation, and upon completion of the negotiation to seek acceptance of the arrangement in accordance with its constitutional procedures as rapidly as possible.

Article 2

Principal Items of World Grains Arrangement

I. Pricing provisions

1. The Schedule of minimum and maximum prices, basis f.o.b. Gulf ports, is established for the duration of this arrangement as follows:

	<u>Minimum price</u>	<u>Maximum price</u>
	(US dollars per bushel)	
<u>Canada</u>		
Manitoba 1	1.95½	2.35½
Manitoba 3	1.90	2.30
<u>United States</u>		
Dark Northern Spring No. 1, 14%	1.83	2.23
Hard Red Winter No. 2 (ordinary)	1.73	2.13
Western White No. 1	1.68	2.08
Soft Red Winter No. 1	1.60	2.00
<u>Argentina</u>		
Plate	1.73	2.13

	<u>Minimum price</u>	<u>Maximum price</u>
	(US dollars per bushel)	
<u>Australia</u>		
F.A.Q.	1.68	2.08
<u>EEC</u>		
Standard	1.50	1.90
<u>Sweden</u>	1.50	1.90

2. The minimum prices and maximum prices for the specified Canadian and US wheats, f.o.b. Pacific NW ports shall be 6 cents less than the prices in paragraph 1.

3. The schedule of minimum prices may be adjusted in accordance with the provisions of IV below.

4. The minimum price and maximum price for FAQ Australian wheat f.o.b. Australian ports shall be 5 cents below the price equivalent to the c. and f. price in United Kingdom ports of the minimum price and maximum price for US Hard Red Winter No. 2 (ordinary), f.o.b. Gulf ports, specified in paragraph 1, computed by using currently prevailing transportation costs.

5. The minimum prices and maximum prices for Argentine wheat, f.o.b. Argentine ports, for destinations bordering the Pacific and Indian Oceans, shall be the prices equivalent to the c. and f. prices in Yokohama of the minimum prices and maximum prices for US 2 Hard Red Winter (ordinary) wheat f.o.b. Pacific NW ports, specified in paragraph 2, computed by using currently prevailing transportation costs.

6. The minimum prices and maximum prices for
-----the specified US wheats, f.o.b. US Atlantic, Great Lakes and Canadian St. Lawrence ports,

-----the specified Canadian wheats, f.o.b. Ft. William/Port Arthur, St. Lawrence ports, Atlantic ports, and Churchill,

-----Argentine wheat, f.o.b. Argentine ports, for destinations other than those specified in paragraph 5,

shall be the prices equivalent to the c. and f. prices in Antwerp/Rotterdam of the minimum prices and maximum prices specified in paragraph 1, computed by using currently prevailing transportation costs.

7. The minimum prices and maximum prices for the EEC standard wheat shall be the prices equivalent to the c. and f. price in the country of destination, or the c. and f. price at an appropriate port for delivery to the country of destination, of the minimum prices and maximum prices for Hard Winter No. 2 (ordinary) wheat f.o.b. United States, specified in paragraphs 1 and 2, computed by using currently prevailing transportation costs and by applying the price adjustments corresponding to the agreed quality differences set forth in the scale of equivalents.

8. The minimum prices and maximum prices for Swedish wheat shall be the prices equivalent to the c. and f. price in the country of destination, or the c. and f. price at an appropriate port for delivery to the country of destination, of the minimum prices and maximum prices for Hard Winter No. 2 (ordinary) wheat f.o.b. United States, specified in paragraphs 1 and 2, computed by using currently prevailing transportation costs and by applying the price adjustments corresponding to the agreed quality differences set forth in the scale of equivalents.

II. Commercial purchases and supply commitments

1. Each member country when exporting wheat undertakes to do so at prices consistent with the price range.

2. Each member country importing wheat undertakes that the maximum possible share of its total commercial purchases of wheat in any crop year shall be purchased from member countries, except as provided in paragraph 4 below. This share will have to be determined at a later stage and will be dependent upon the extent to which other countries accede to the Arrangement.

3. Exporting countries undertake, in association with one another, that wheat from their countries shall be made available for purchase by importing countries in any crop year at prices consistent with the price range in quantities sufficient to satisfy on a regular and continuous basis the commercial requirements of those countries subject to the other provisions of this Agreement.

4. Under extraordinary circumstances a member country may be granted by the Council partial exemption from the commitment contained in paragraph 2 upon submission of satisfactory supporting evidence to the Council.

5. Each member country when importing wheat from non-member countries shall undertake to do so at prices consistent with the price range.

III. Rôle of maximum prices

1. The rôle of maximum prices shall be in general conformity with that set forth in the International Wheat Agreement of 1962.

2. Provision shall be made for continuous review by the Secretariat of the Grains Council of the situation with regard to the arrangements in respect of maximum prices and for initiating the necessary action.

3. Durum wheat and certified seed wheat shall be excluded from the provisions relating to maximum prices.

IV. Rôle of minimum prices

The purpose of the schedule of minimum prices is to contribute to market stability by making it possible to determine when the level of market prices for any wheat is at or approaching the minimum of the range. Since price relationships between types and qualities of wheat fluctuate with competitive circumstances, provision is made for review of and adjustments in minimum prices, on the basis of the following principles:

1. If the Secretariat of the Grains Council in the course of its continuous review of market conditions is of the opinion that a situation has arisen, or threatens imminently to arise, which appears to jeopardize the objectives of the Arrangement with regard to the minimum price provisions, or if such a situation is called to the attention of the Secretariat of the Council by any member country, the Executive Secretary shall convene a meeting of the Prices Review Committee within two days and concurrently notify all member countries.

2. The Prices Review Committee shall review the price situation with the view to reaching agreement on action required by member participants to restore price stability and to maintain prices at or above minimum levels and shall notify the Executive Secretary when agreement has been reached and of the action taken to restore market stability.

3. If after three market days the Prices Review Committee is unable to reach agreement on the action to be taken to restore market stability, the chairman of the Council shall convene a meeting of the Council within two days to consider what further measures might be taken. If after not more than three days of review by the Council any member country is exporting or offering wheat below the minimum prices as determined by the Council, the Council shall decide whether provisions of the agreement shall be suspended and if so to what extent.

4. When any minimum price has been adjusted in accordance with the foregoing, such adjustments shall terminate when the Prices Review Committee or the Council finds that the conditions requiring the adjustments no longer prevail.

5. Denatured wheat shall be excluded from the provisions relating to minimum prices.

V. International Food Aid

1. The countries party to this Agreement agree to contribute wheat, coarse grains, or the cash equivalent thereof, as aid to the developing countries, to an amount of 4.5 million metric tons of grain annually. Grains covered by the programme shall be suitable for human consumption and of an acceptable type and quality.

2. The minimum contribution of each country party to this Agreement is fixed as follows:

	%	('000 metric tons)
United States	42.0	1,890
Canada	11.0	495
Australia	5.0	225
Argentina	0.5	23
EEC	23.0	1,035
United Kingdom	5.0	225
Switzerland	0.7	32
Sweden	1.2	54
Denmark	0.6	27
Norway	0.3	14
Finland	0.3	14
Japan	5.0	225

Countries acceding to the Arrangement may make contributions on such a basis as may be agreed.

3. The contribution of a country making the whole or part of its contribution to the programme in the form of cash shall be calculated by evaluating the quantity determined for that country (or that portion of the quantity not contributed in grain) at US\$1.73 per bushel.

4. Food aid in the form of grain shall be supplied on the following terms:

(a) Sales for the currency of the importing country which is not transferable and is not convertible into currency or goods and services for use by the contributing country.¹

(b) A gift of grain or a monetary grant used to purchase grain for the importing country.

¹Under exceptional circumstances an exception of not more than 10 per cent could be granted.

Grain purchases shall be made from participating countries. In the use of grant funds, special regard shall be had to facilitating grain exports of developing member countries. To this end priority shall be given so that not less than 25 per cent of the cash contribution to purchase grain for food aid or that part of such contribution required to purchase 200,000 metric tons of grain shall be used to purchase grains produced in developing countries. Contributions in the form of grains shall be placed in f.o.b. forward position by donor countries.

5. Countries party to the Arrangement may, in respect of their contribution to the food aid programme, specify a recipient country or countries.

VI. Miscellaneous

A grains arrangement must include, among other things, acceptable provisions relating to such issues as voting rights, definition of commercial transactions, guidelines for non-commercial transactions, safeguards for commercial transactions, and provisions concerning wheat flour which take into account the special nature of international trade in flour.

VII. Duration

The Arrangement shall be effective for a three-year period.

VIII. Accession

The terms and conditions of accession of countries not original signatories to this Agreement shall be decided upon in subsequent negotiations.

IX. Subsequent negotiations

Nothing in subsequent negotiations shall prejudice the commitments undertaken in this Memorandum of Agreement.

Article 3

This Memorandum of Agreement shall be opened for acceptance by signature on 30 June 1967 and shall enter into force when accepted by the Governments of Argentina, Australia, Canada, Denmark, Finland, Japan, Norway, Sweden, Switzerland, the United Kingdom, and the United States, and by the European Economic Community.

Article 4

This Memorandum of Agreement shall be deposited with the Director-General to the CONTRACTING PARTIES, who shall promptly furnish a certified copy thereof to each contracting party to the General Agreement and to the European Economic Community.

Article 5

This Memorandum of Agreement shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

DONE at Geneva this thirtieth day of June one thousand nine hundred and sixty-seven in a single copy in the English and French languages, both texts being authentic.