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Wheat, People and the Plains



Fact Sheet IV

Can We Export More Wheat?

Major wheat exporting and importing nations have long followed policies to improve and protect the incomes of their farmers. To do this, some regulation of international trade in farm products is necessary. A wheat price level above that of exporting countries obviously could not be maintained in a country without the authority to control imports.

The role of government in international wheat trade varies from complete state trading to nearly free trade conditions. Fact Sheet IV discusses policies and programs of the United States and other exporting and importing nations which affect international trade in wheat.

U. S. WHEAT EXPORT PROGRAMS

Export subsidies were first advocated by U.S. farmers in the late 19th century. The U.S. Department of Agriculture also began market development activities in that period. Rapid economic growth and expanded wartime demand created a favorable wheat export situation during the first 20 years of the present century.

This was followed by a sharp reduction in the foreign market for U.S. wheat during the 1920's and '30's because of the changes brought by the war and by improving agricultural technology. The protectionism provided in the Tariff Acts of 1921, '22 and '30 operated to restrict further the foreign outlets for U.S. wheat. Efforts to develop an export program under the McNary-Haugen bill were unsuccessful during the '20's.

The Agricultural Act of 1933 was amended in 1935 to subsidize agricultural exports with customs receipts. This provision is still in effect, since price supports have held domestic U.S. prices higher

than those of other major exporting nations.

World War II created a need for all the wheat that could be produced in this country, but special financing had to be provided so that our allies could purchase needed supplies. This was provided through the Lend-Lease Program in effect from 1940 to 1947.

The Mutual Security Act of 1948 and subsequent years provided for

exports to be paid for with the currency of recipient countries.

The first International Wheat Agreement was approved in 1949 to assure supplies of wheat to importing countries and markets for wheat-exporting countries within an agreed price range. It has been regularly renewed during the past 14 years.

The rapid increase of government-owned stocks of wheat in the 1950's resulted in greater emphasis on expanding exports as a method to avoid stricter production controls.

Nearly all U.S. wheat exports have been made under special government programs or with government assistance since 1954. Our exports have steadily increased since that time (Figure 1).

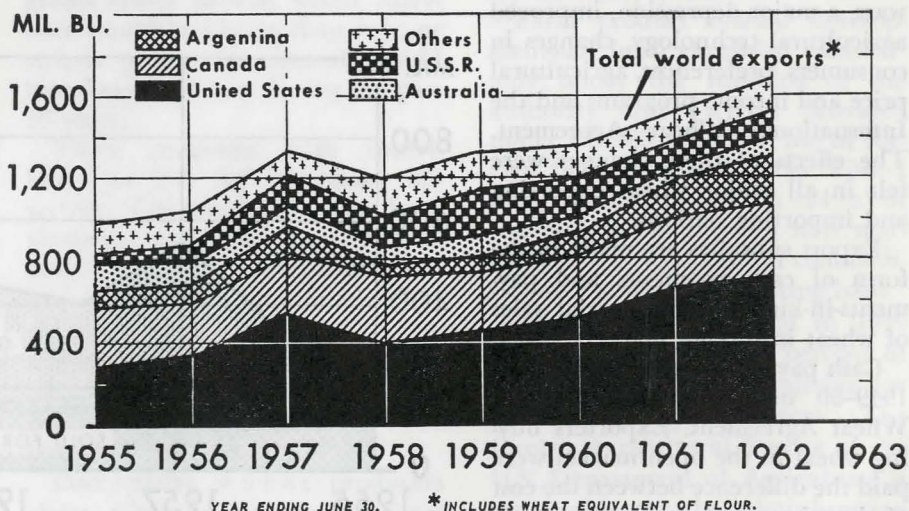


Fig. 1. The U. S. has commanded a larger share of total world wheat exports in recent years.

Table 1. Wheat and flour: U. S. exports by program, 1954-55 to 1961-62.

Years	Title I ^a	Title II ^b	Title III ^c	Section 402 ^d	Section 416 ^e	Title IV ^f	Total Programs	"Cash" ^g	Total
(Million bushels)									
1954-55	23.8	16.0	46.4	70.8	1.0	....	158.0	115.6	273.6
1955-56	94.3	11.9	66.7	65.0	2.8	....	240.7	104.9	345.6
1956-57	200.5	12.2	87.1	63.6	11.7	....	375.1	173.5	548.6
1957-58	179.0	14.3	9.8	25.7	17.9	....	246.7	155.7	402.4
1958-59	227.9	10.9	20.1	23.9	20.2	....	303.0	140.3	443.3
1959-60	300.6	10.7	25.7	13.3	24.3	....	374.6	135.2	509.8
1960-61	327.2	30.5	34.1	35.6	30.3	....	457.7	204.5	662.2
1961-62	379.1	25.7	41.4	2.5	35.1	7.3	491.1	227.3	718.4

Source: Grain and Feed Division, Foreign Agricultural Service, U.S.D.A.

^a Title I, Public Law 480; Sales for foreign currency.

^b Title II, Public Law 480; Government to government donations for emergency relief.

^c Title III, Public Law 480; Barter of CCC stocks for strategic materials.

^d Section 402, Public Law 665; Sales for foreign currency under the Mutual Security and AID programs.

^e Section 416, of Ag. Act of 1949 and Title III, Public Law 480; Donations of CCC stocks to needy people in foreign countries through private U.S. relief and charity agencies.

^f Title IV, Public Law 480; Dollar sales to foreign countries under long-term credit agreements.

^g Sales made without program assistance except for export subsidies in the form of cash payments or payments-in-kind.

The Agricultural Trade Development and Assistance Act (PL 480), passed in 1954, has made a substantial contribution to our wheat exports.

In recent years more than 90% of all commercial "cash" exports of wheat have received an export subsidy. Total wheat exports have increased from 274 million bushels in 1954-55 to a record 718 million bushels in 1961-62. During the past 5 years 70 percent of these exports have been made under special government programs.

Recent U.S. wheat exports for "cash", barter and under government programs are shown in Table 1 and Figure 2.

Export Subsidies

Export subsidies grew out of changes resulting from two world wars, a major depression, improved agricultural technology, changes in consumers' preferences, agricultural price and income programs and the International Wheat Agreement. The effects of these changes were felt in all major wheat exporting and importing nations.

Export subsidies are made in the form of cash payments and payments-in-kind on commercial sales of wheat in foreign markets.

Cash payments were first made in 1949-50 under the International Wheat Agreement. Exporters buying wheat in the open market were paid the difference between the cost of the wheat and the export price. Wheat owned by the Commodity Credit Corporation was also sold at less than market prices. Since

1956 cash payments have been used mainly for flour exports.

A payment-in-kind program was started in 1956. Since that time most of the wheat exported as grain has been subsidized under this program. The purpose of the payment-in-kind program is to raise farm income by strengthening the open market demand and to reduce the CCC stocks.

Under this program, wheat is bought in the open market for export. CCC then issues the buyer certificates entitling him to additional CCC wheat, based on the difference between export and domestic prices. Wheat obtained from CCC's stocks under such certificates also earns additional payment-in-kind certificates.

The amount of the export subsidy is announced daily (as pro-

vided by the International Wheat Agreement) to recognize fluctuations in daily market prices. It has varied from 40 to 70 cents a bushel in recent years.

The export subsidy program makes it possible for U.S. wheat to compete price-wise for the commercial export market. Without subsidies no commercial exports would be possible because recent U.S. wheat prices have been substantially higher than wheat prices in international trade. Domestic consumption of wheat is not affected significantly because consumer demand is highly inelastic.

Competing exporters such as Canada and Australia have been less critical of this program than of PL 480, probably because they, like other wheat exporters, also have somewhat similar special export subsidy programs. However, they have objected to the relatively higher U.S. subsidy on flour as compared with wheat.

Because export subsidies permit U.S. wheat to be price competitive in commercial export markets, quality becomes the determining factor as to whether importers buy needed wheat supplies from the U.S. or from some other source.

PL 480: Food for Peace

After the Korean conflict we had a combination of circumstances that resulted in increased emphasis on expanding exports. Carryover

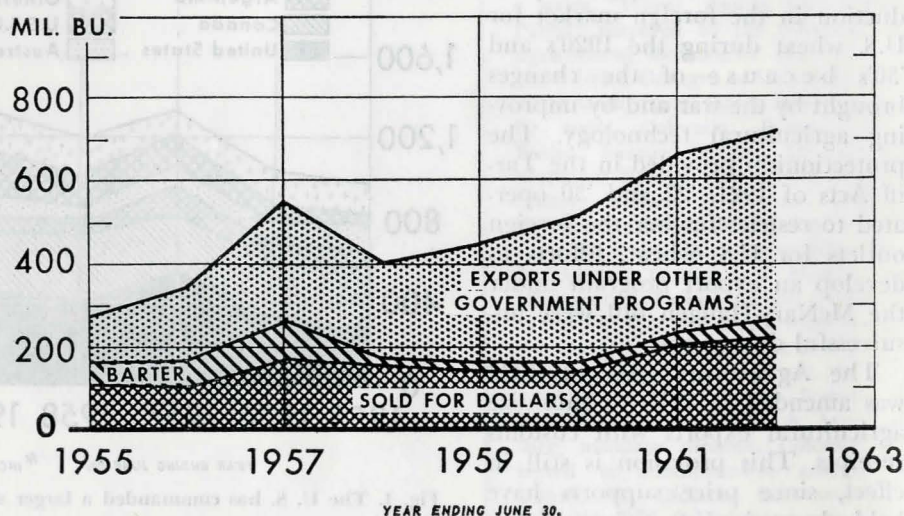


Fig. 2. Although most recent U. S. exports have been under government programs, "cash" sales have also increased.

stocks of wheat had increased rapidly while industrial and feed uses, as well as exports, had declined. Higher yields offset acreage allotment effects.

Severe food shortages occurred in India and Pakistan in 1953. The use of our agricultural abundance to prevent human hunger had widespread appeal, especially when it could also help solve a difficult domestic farm problem. Secretary of Agriculture Benson, emphasizing the advertising and promotion approach, took the lead in an effort to expand foreign demand.

The Agricultural Trade Development and Expansion Act of 1954 provided additional authority for exporting U.S. farm products. The main purpose of the original act was to dispose of carryover regarded as temporary surpluses. Other objectives were economic development in recipient countries, emergency relief and market development.

The Act has been periodically extended and renewed. The programs developed under it have become known as the Food for Peace program. Emphasis has shifted from surplus disposal to economic development in participating countries. This shift recognizes that both U.S. farm surpluses and foreign aid needs are not temporary problems.

Title I: Sales for Foreign Currency: Sales of wheat and other surplus farm products are made under government-to-government agreements with friendly countries. Such sales are made from commercial stocks through private U.S. exporters.

The buying country pays for the wheat in its own currency to the account of the United States. These foreign currency funds are then loaned or granted back to the participating countries for economic development and other approved purposes. Title I sales account for most of the volume of wheat handled under PL 480.

Title II: Donations: Donations of wheat and other products are made on a government-to-government basis, and through private U.S. relief and charity agencies for emergency

relief to help the needy of foreign countries.

Title III: Barter: Contracts with private U.S. firms are made by CCC to exchange CCC-owned farm products for strategic materials or materials used in U.S. foreign aid programs.

Title IV: Long-Term Credit: Sales of U.S. surplus farm products are authorized under long-term credit arrangements. This was used for the first time to export wheat and flour during 1961-62.

Sales of wheat and other surplus farm commodities for foreign currency were also possible to a limited extent under the Mutual Security and the AID (Agency for International Development) programs. Foreign currency uses under these programs are restricted entirely to projects approved by AID (formerly ICA).

Exports of wheat under Food for Peace programs have amounted to more than \$2.6 billion bushels since 1953, twice the amount of commercial sales during this period. Wheat exports sold for local currencies under Title I have amounted to 1.7 billion bushels or 70 percent of the total moving under special export programs. India has been the main recipient country.

Under these programs Great Plains wheat producers have been able to grow more wheat at higher prices than would have been possible otherwise. Without such programs either present wheat carryover would be higher than it is; or stricter production controls would have been necessary during the past 10 years.

These programs have contributed to U.S. foreign policy objectives. The wheat and other farm products exported have helped meet food needs in recipient countries. Local currencies received in exchange have contributed to economic development in these countries, although the accumulation of currencies under U.S. control is becoming a problem.

Competitive wheat producers claim that their potential wheat export market has been limited by our activities under PL 480. Their objections in recent years have been

directed more at the barter program than towards sales for foreign currencies. However, market development effects of the Food for Peace program may accrue to these countries as well as to the United States. We have no assurance that wheat will be purchased from this country when a nation shifts from the PL 480 program to imports on a commercial basis.

The Food for Peace program is doing about all it can without reducing our own commercial sales or cutting into markets of friendly wheat producing nations.

We are probably approaching the upper limit for using food in economic development. Supplying food will not by itself stimulate economic growth in a recipient country.

Special export programs have helped the U.S. wheat grower and have benefited recipient countries. But such programs by themselves will solve neither the Great Plains wheat adjustment problems nor the problems of underdeveloped countries.

Market Development

Foreign market development includes all activities engaged in by government and commodity groups to increase, or prevent decreases in, the foreign sales of U.S. products. Such activities have been carried on by government and industry for many years.

Farm product market development has been expanded considerably under the stimulus of the authority and funds provided under PL 480. The first use of foreign funds obtained under Title I sales, as listed in Section 104 (a) of that act, is "to develop new markets for U.S. agricultural commodities on a mutually benefiting basis."

An amendment passed in 1959 specifies that at least 5 percent of such funds be made available for market development work. The foreign Agricultural Service of the U.S. Department of Agriculture is responsible for the administration of market development activities.

Three types of market development activities are carried on: (1)

market promotion, (2) market assistance, and (3) marketing research. Market promotion activities attempt to increase sales to industrial users and ultimate consumers. Marketing assistance helps importers, processors and dealers on problems of quality, storage, grading, packaging, etc. Marketing research and surveys provide basic information needed for further market development activities.

The operation of market development projects has been the primary responsibility of cooperating industry and trade groups. Where organizations did not exist (as was the case for wheat and feed grains), market development opportunities under PL 480 have provided the stimulus for the formation of Great Plains Wheat, Inc., and the National Feed Grains Council.

Research studies to evaluate foreign market development activities generally conclude that these have been effective in accomplishing their basic purpose: that of expanding, or at least preventing decreases in, foreign markets for U.S. farm products. A common recommendation is that foreign market development should be made a permanent USDA activity—not dependent upon the continued availability of PL 480 funds.

Mistakes were made in early projects because of conflicting objectives between the government and commodity interest groups, insufficient planning and lack of adequately trained and experienced personnel. These problems are being solved or minimized as more experience is gained in the operation of market development projects.

The special problems involved in developing foreign markets for wheat are summarized in a market development evaluation study of projects in West Germany by economists at the University of Minnesota.

The authors pointed out that competition for the commercial market is very strong. Other wheat exporting nations engage in intensive sales activities. Wheat loses identity in the marketing process so the ultimate consumer doesn't

know—or care—whether he is eating American or Canadian wheat. Demand for wheat is declining in all nations with advanced economies; (these nations have previously provided our main commercial export market). Wheat producers in most wheat importing nations are protected by subsidies or other government action.

Acknowledging that some West German importers complain about U.S. wheat for bargaining purposes, the authors felt that serious wheat marketing problems are created by U.S. grades and standards, CCC regulations and trading practices of exporters.

The Minnesota researchers found that apparently these problems don't arise from unfair or illegal practices on the part of U.S. exporters. Rather the difficulty seems to be that U.S. wheat grades don't fully meet the requirements of many importers, especially as to milling and baking characteristics. A major source of dissatisfaction with U.S. wheat is the great variation in these qualities among shipments of the same grade. Importers point out that Canadian wheat can be purchased on a grade basis which is consistent as to milling and baking qualities.

The study concludes that "if the United States expects to retain a major share of our export market, greater efforts to correct the problems and improve our competitive position are required. Promotional and non-promotional activities overseas can be severely hampered by inaction or strong resistance to change in the United States. A greater possible effort should be made to insure that commodities for which 104 (a) funds are expended receive adequate market development attention at home."

Some people question the conclusions of this Minnesota study. However, there is wide agreement that market development work is more than mere promotion. We need to be able to deliver—as well as promise—a uniformly high quality product if we hope to compete effectively in commercial export markets.

Participation in International Trade Agreements

Our government enters into trade agreements with other nations under the authority provided by the Trade Expansion Act of 1962. This act renewed and extended the authority provided by the Trade Agreements Act of 1934, as amended. Participation in the General Agreement on Tariffs and Trade (GATT) and the International Wheat Agreement came under the Trade Agreements Act. Future negotiations will be carried on under the provisions of the 1962 legislation.

Purposes of the Trade Expansion Act of 1962 are:

1. To stimulate the economic growth of the United States and maintain and enlarge foreign markets for the products of United States agriculture, industry, mining and commerce.

2. To strengthen economic relations with foreign countries through the development of open and non-discriminatory trading in the free world.

3. To prevent communist economic penetration.

To accomplish these purposes, the act broadens the authority of the President to negotiate tariff reductions, especially with the European Economic Community. The expanded negotiating authority was granted for five years and ends June 30, 1967.

The Act also provides the President with the power to take retaliatory action if other countries impose restrictions against U.S. products. He may impose tariffs or other import restrictions against the products of the other country or groups of countries such as EEC. The benefits of any trade agreement may be denied to any country that maintains variable import levies and other non-tariff trade restrictions on U.S. goods. The variable import levy is an important part of the common trade policy of EEC to raise the price of imported products and protect domestic agriculture.

The provisions of the Trade Expansion Act of 1962 will be used in future negotiations with the Euro-

pean Economic Community. In the 1962 round of tariff negotiations under GATT, the United States obtained a stand-still agreement with respect to quality wheat. This agreement provided that no new import restrictions or higher tariffs would be imposed on such wheat until the EEC common agricultural policy on wheat goes into effect. The EEC also agreed to enter into new negotiations on wheat as soon as the common internal price for wheat is set.

The next major round of negotiations for multilateral trade agreements among the countries participating in GATT will be held early in 1964.

The significance of the additional authority provided by the Trade Expansion Act of 1962 has been reduced somewhat by the failure of negotiations to include Great Britain in the European Economic Community. Some of the special authority to reduce or eliminate tariffs cannot be used without British membership in EEC. Bilateral agreements may have to be used to a greater extent under the new situation in Europe. The provisions for retaliatory action, while necessary, must be used with caution in future negotiations, since use of such measures leads to trade reduction rather than trade expansion.

WHEAT POLICIES AND PROGRAMS OF OTHER NATIONS

All major wheat exporting countries, including the U.S., have for many years had national farm programs designed to provide assistance to their own farmers. The objectives of these agricultural programs are: to increase income and improve the level of living for farm people; to encourage domestic production for self-sufficiency or trade reasons; to adjust production to demand; to regulate foreign trade in agricultural products in line with the country's food and agriculture policies; and to maintain the family farm and a sizable farm population as an important political force.

The income objective is implemented through both price and production programs.

Price programs typically involve the determination of support prices for important farm products. The support price may be a target price, fixed price, or guaranteed average price. A variety of support price methods is used: administrative price control; intervention in the market by government agencies or cooperatives; compensatory payments; purchase and storage of commodities by government agencies or cooperatives; and restriction of output—either directly, or by limiting the quantity to which the support price applies.

Production programs frequently supplement or complement income programs by improving the efficiency of agricultural production or reducing the cost of production in agriculture. Output subsidies are sometimes used to encourage production adjustments and accomplish trade objectives, as well as to improve the producers' incomes.

Trade policies, and programs to implement these policies, have been developed along with domestic farm programs. Agricultural trade policies of most countries are highly protective of domestic agriculture. Each country uses a number of methods to control imports and thus to protect domestic producers from foreign competition. These methods include outright bans on imports, quotas, licenses, tariffs, equalization fees, mixing regulations, state trading, and import calendars. Bilateral and preferential trade agreements are also used as methods to limit countries from which imports are obtained.

Trade policy usually attempts to promote exports of farm production exceeding domestic needs. Since domestic farm price support levels are frequently too high to make exports competitive, various forms of assistance are used. The methods used include export subsidies and refunding tariffs on imported raw materials processed (for example, wheat may have been imported as grain, processed, then exported as flour).

These kinds of policies and the programs used to implement them have resulted in inefficient use of resources in agriculture and other industries, in the restriction of trade in agricultural products, higher food costs, and in lower levels of living for consumers. For example, U.S. tariffs, quantitative import restrictions, and the export subsidy program lead other countries to charge us with attempting to dump our wheat surpluses on them. These countries use this to justify restrictions against our exports to them.

Export Programs

Canada: Marketing of nearly all wheat entering into provincial and export trade is controlled by the Canadian Wheat Board, a government monopoly. Growers in the main producing area must sell all their commercial wheat production to this board—except for small amounts used locally for seed and feed.

Each farmer receives an initial delivery quota and supplementary quotas as storage space becomes available. The purpose of the delivery quota system is to ration the available wheat market fairly among farmers and to promote orderly marketing into export and domestic uses. Minimum prices are guaranteed to growers at the time the wheat is delivered. The wheat price realized by growers in the marketing year 1960-61 was about \$1.60 a bushel.

Canada has operated aggressively to develop and maintain foreign markets for wheat. CWB as the sole buyer and seller of Canadian wheat has been able to export uniformly high quality wheat by exercising careful control over all the operations in handling and selling wheat. Uniformity in the quality of wheat exported has given that product a competitive advantage over U.S. hard red winter and spring wheats.

Canadian farmers fail—for a number of reasons—to claim all payments due. Rather than leave these funds lay idle, the CWB uses them for market development, such as inviting foreign agricultural missions to Canada, an institute of

baking in Japan, and technical assistance to foreign milling and baking industries. The Board also maintains offices in London, Rotterdam and Tokyo.

Other special export programs include a subsidy paid to Canadian millers on flour exports and special railroad rates on wheat for export. For example, the rail rate on a bushel of export wheat from Moose Jaw, Saskatchewan, to Vancouver, a distance of nearly 1100 miles, is 15¢; in the United States the rate from Goodland, Kansas to Galveston, also 1100 miles, is 49¢.

France: In recent years France has become a major wheat exporter. Price supports are provided to growers and export subsidies are used to encourage export. Wheat produced in France is soft wheat so it does not compete directly with the high protein wheat produced in the United States and Canada. Wheat exports as well as imports are under the control of the French Cereals office. As a member of the European Economic Community, France will follow EEC agricultural and trade policies.

Australia: Wheat growers produce and market their product under a price stabilization scheme guaranteeing them a minimum price (based upon average cost of production). The Australian Wheat Board has complete control over the marketing of wheat in the domestic and foreign markets. Wheat produced in Australia is entirely of soft and semi-hard white classes, which are not directly competitive with Great Plains wheat.

Australia participates in the International Wheat Agreement and has bilateral agreements with Japan, West Germany, Great Britain, Malaya and Ceylon. Efforts to maintain and expand foreign markets for wheat and wheat flour include quality improvement through plant breeding, better soil use and cultural practices and participation in various international arrangements for wheat marketing.

Australians have been especially critical of the U.S. PL 480 program because of the volume of wheat exported to India and other Asian

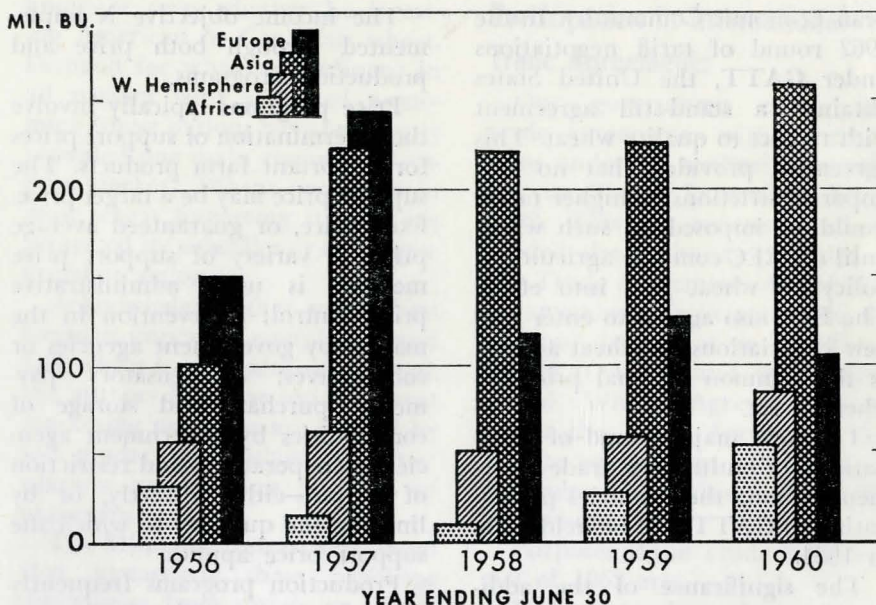


Fig. 3. Where U. S. wheat exports have gone. Europe accounted for more than half our "cash" exports in 1962; Asia more than one-fourth (with Japan buying one-sixth of our dollar exports).

countries under this special U.S. export program.

Argentina: Price supports are provided for producers near average world prices for wheat. Wheat exports are not subsidized but are facilitated by the use of bilateral trade agreements.

U.S.S.R.: Wheat production and marketing in the Soviet Union is entirely state controlled. Wheat exporting is handled by the Export Grain Corporation. Prices are based on the London market and are usually slightly below those of comparable wheat in the United States and Canada.

U.S.S.R. wheat exports have been relatively small in recent years because of production problems. Russia's development plans call for increasing exports but won't be realized until production problems can be solved.

Importing Policies and Programs

European Economic Community: The countries of Western Europe provide an important market for U.S. wheat (Figure 3). In 1960-61, 22 percent of all U.S. wheat exports went to this area. Nearly ¾ of this was sold for dollars. The present EEC countries took 13 percent of our wheat exports, amounting to 27 percent of their total imports of wheat and flour.

Domestic prices of wheat to EEC producers have been generally insulated from recent declines and have been maintained much above the U.S. price (Table 2). EEC price supports are maintained through the use of mixing regulations, import quotas and licensing, tariffs and equalization fees, foreign exchange controls, state import monopolies and bilateral trade agreements.

Domestic production is encouraged by incentive or income payments to farmers and by subsidies on farm production supplies and credit. Subsidies to mills, processors and consumers are used to reduce the impact of high support prices.

These programs have stimulated increases in production of soft

Table 2. Wheat support prices in selected countries, 1960-61.

Country	Support price per bu.
Belgium	\$2.56
Denmark	1.93
France	2.22
West Germany	2.97
Italy	2.82
Netherlands	2.33
Norway	3.42
Sweden	2.58
Switzerland	4.11
United Kingdom	2.01
Average	2.61
United States	1.78

wheat, reduced imports, caused technical difficulties in milling, and raised consumer prices or costs to taxpayers. The different price levels and the number and variety of farm programs in the various countries have presented difficult problems to EEC in developing common agricultural policy—problems which are not yet resolved. However, the EEC plans to achieve common farm and trade policies by 1970.

New EEC grain trading rules became effective August 1, 1962. These regulations continue the long-standing policies of incentives to domestic production and protection from foreign competition. The objectives of the EEC grain regulations are: to establish a uniform internal market; to guide production according to internal and external market requirements; to stabilize market prices; to assure satisfactory incomes to producers; and to protect the legitimate interest of traders, processors, and consumers. These objectives will be accomplished through a complex system of internal price supports, variable import levies, and "orientation and guidance" funds obtained from tariff revenue.

Under EEC agricultural policy, Western Europe can be expected to continue to import hard and durum wheat. The United States can share in this market—provided that our producers and exporters supply the quality desired by the market at competitive prices.

Japan: Wheat consumption is increasing in Japan because of tastes developed during the post-war food shortage period and from recent market development activities. This market has been shared by the U.S., Canada, and Australia. Our exports of wheat to Japan have declined recently, as a result of increasing competition from Canada and a bilateral agreement with Australia.

The shift to commercial baking in Japan has increased the demand for high protein wheat. But this will probably benefit Canada more than the U.S. because of the nature of competition between U.S. and Canadian high protein wheats.

In importing wheat and other grains, Japan is a state trading nation. The Japanese Food Agency sets semi-annual quotas for grain imports from various countries. This agency decides the quantity, grade and timing of wheat imports. Private traders do the actual importing under government licenses. The imported wheat is then sold to the Food Agency which in turn resells it to millers.

United Kingdom: The world's largest wheat importer has relatively few restrictions against grain imports. It has no quantitative or licensing restrictions, no price equalization fees or taxes on wheat imports and no official mixing regulations.

Tariff duties are levied on grain imports—except that imports from the Commonwealth countries are duty-free. This gives Canada a competitive advantage over the United States in the U.K. market. British wheat producers receive guaranteed minimum prices, maintained by means of deficiency payments to growers rather than through direct price supports.

Brazil: Agricultural and trade policies in Brazil have self-sufficiency and export expansion as important objectives, although currently, Brazil needs to import wheat. Expansion of wheat production is encouraged through high price supports and improvements in marketing facilities.

Imports are controlled with bilateral agreements and high tariffs. The government imports all wheat and flour. It fixes annual wheat quotas for mills and requires that minimum amounts of domestic wheat be used before imported wheat is made available.

INTERNATIONAL ARRANGEMENTS FOR WHEAT TRADE

International Wheat Agreement

The first International Wheat Agreement went into effect in 1949 after nearly 20 years of negotiation. The agreement was renewed with modifications in 1953, 1956, 1959 and 1962. The current agreement was signed by 46 nations of which

10 are exporters and 36 importers. The 1962 agreement will remain in effect until July 31, 1965

The objectives of the agreement are: to assure adequate supplies of wheat and wheat flour to importing countries; to assure markets to exporting countries at equitable and stable prices; to encourage more international trade in wheat and flour; to solve problems of surpluses and shortages; to encourage wheat consumption and to promote international cooperation on wheat problems.

The principal features of the agreement are: (1) a maximum, minimum price range of trade under the agreement; (2) an obligation on the part of each importing country to purchase wheat from member exporting countries (when prices are within the specified range) not less than specified percentages from each exporter of its annual total commercial purchases; (3) an obligation on the part of member exporting nations to make wheat available to importing countries within the price range; and (4) provision for an annual review of the world wheat situation by the International Wheat Council.

The price range provided in the agreement is \$1.62½ to \$2.02½ for No. 1 Northern Spring at Fort William, Canada. This is equivalent to \$1.15 to \$1.55 for U.S. hard red winter wheat on the farm.

Bilateral Agreements

An important part of the world trade in wheat is carried out under bilateral agreements between governments. Such arrangements close the market in these countries to other competing exporters.

Bilateral agreements include a variety of arrangements; import quotas, price-quality specifications, barter, exchange controls, etc. Principal reasons for such agreements are: the need to conserve foreign exchange; a desire to obtain guaranteed export outlets; assurance of supplies of needed imports; and repayment of international obligations.

Bilateral agreements for trade in wheat are in effect between

Argentina and Brazil, the U.S.S.R. and West Germany, Australia and West Germany, Australia and Japan, France and West Germany, Australia and the U.K., and others.

Wheat Utilization Committee

An International Wheat Utilization Committee was established in 1959 to help surplus-producing nations explore "all practical means of utilizing the various agricultural surpluses of each in the interest of reinforcing the well-being of friendly people throughout the world".

Nations represented include the United States, Argentina, Australia, Canada and France.

This committee has given member nations an opportunity for consultation and discussion on mutual goals or problems. The principal subject for discussion has been U.S. wheat exports under the PL 480 program. Its accomplishments so far have been to create a better understanding of wheat production and marketing problems among member countries and a reduction

in the criticism of the PL 480 program.

QUESTIONS FOR DISCUSSION

The statement is frequently made that U.S. wheat has been priced out of the commercial export market. Discuss the competitive position of U.S. wheat as to price and quality.

If U.S. wheat prices fell to \$1.25 a bushel, would our exports increase? Why or why not?

What have been the main accomplishments of the Food-For-Peace program? What obstacles or problems limit the expansion of this program as a solution to our wheat problem?

Has market development been effective as a method of increasing our wheat exports? How could it be improved?

Do the agricultural and trade policies of the European Economic Community represent a drastic change from those of the separate countries? What are the probable effects of EEC policies upon U.S. wheat exports to Western Europe?

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