MEMORANDUM OF AGREEMENT ON GRAINS

The delegations which participated in the negotiation of the Memorandum of Agreement on Grains, drawn up in the context of the Kennedy Round negotiations on 15 May, have agreed that it should be circulated for the information of contracting parties in advance of the declassification date of 30 June for instruments resulting from the trade negotiations. The text of the Memorandum of Agreement follows:
Note

The delegation of Argentina has indicated reservations on Section I, paragraph 5.

The delegation of Japan has indicated reservations on Section V.
PREAMBLE

Each signatory to this Agreement agrees to negotiate a grains arrangement, on as wide a basis as possible, that contains the provisions set forth herein, 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 procedure as rapidly as possible.
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:

<table>
<thead>
<tr>
<th></th>
<th>Minimum price (US dollars per bushel)</th>
<th>Maximum price (US dollars per bushel)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manitoba 1</td>
<td>1.95 (\frac{3}{2})</td>
<td>2.35 (\frac{1}{2})</td>
</tr>
<tr>
<td>Manitoba 3</td>
<td>1.90</td>
<td>2.30</td>
</tr>
<tr>
<td>Dark Northern Spring No. 1, 14%</td>
<td>1.83</td>
<td>2.23</td>
</tr>
<tr>
<td>Hard Red Winter No. 2 (ordinary)</td>
<td>1.73</td>
<td>2.13</td>
</tr>
<tr>
<td>Western White No. 1</td>
<td>1.68</td>
<td>2.08</td>
</tr>
<tr>
<td>Soft Red Winter No. 1</td>
<td>1.60</td>
<td>2.00</td>
</tr>
<tr>
<td>Plate</td>
<td>1.73</td>
<td>2.13</td>
</tr>
<tr>
<td>F.A.Q.</td>
<td>1.68</td>
<td>2.08</td>
</tr>
<tr>
<td>Standard</td>
<td>1.50</td>
<td>1.90</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.50</td>
<td>1.90</td>
</tr>
</tbody>
</table>

2. The minimum prices and maximum prices for the specified Canadian and US wheats, f.o.b. Pacific 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 F.A.Q. 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/Fort 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.¹

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.¹

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 See attached communication from the Government of Finland.
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:
<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
<th>(1,000 metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>42.0</td>
<td>1,890</td>
</tr>
<tr>
<td>Canada</td>
<td>11.0</td>
<td>495</td>
</tr>
<tr>
<td>Australia</td>
<td>5.0</td>
<td>225</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.5</td>
<td>23</td>
</tr>
<tr>
<td>EEC</td>
<td>23.0</td>
<td>1,035</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>5.0</td>
<td>225</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.7</td>
<td>32</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.2</td>
<td>54</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.6</td>
<td>27</td>
</tr>
<tr>
<td>Norway</td>
<td>0.3</td>
<td>14</td>
</tr>
<tr>
<td>Finland</td>
<td>0.3</td>
<td>14</td>
</tr>
<tr>
<td>Japan</td>
<td>5.0</td>
<td>225</td>
</tr>
</tbody>
</table>

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.

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

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.

---

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

2 See attached communication from the Nordic Delegation.
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.
Done at Geneva, on May 1967

For Argentina

For Australia

For Canada

For Denmark

For European Economic Community

For Finland

For Japan

For Norway

For Sweden

For Switzerland

For the United Kingdom

For the United States
COMMUNICATION FROM THE NORDIC DELEGATION

The following is the text of a letter dated 15 May from the Chief Negotiator of the Nordic delegation.

With reference to the negotiations concerning an international cereals agreement, I have the honour to confirm the joint position held by Denmark, Finland, Norway and Sweden as far as the shipping aspect of a food aid programme is concerned. Our views in this field have been clearly expressed during the negotiations.

Shipments of grains should be made on a commercial basis in free competition in order to ensure the recipient developing countries of the cheapest and most efficient transport under the programme.

The Governments of the Nordic countries want to underline that, should arrangements involving flag discrimination be introduced into the envisaged food aid programme, these Governments will have to reconsider their participation.
COMMUNICATION FROM THE GOVERNMENT OF FINLAND

The following is the text of a letter dated 14 May from the Permanent Representative of Finland.

I have the honour to inform you about the following reservation by Finland as to paragraphs 2 and 4 of Article II of the Memorandum of Agreement on a grains arrangement.

The participation of Finland in a grains arrangement is subject to parliamentary approval. Finland is willing to assume her share in the food aid programme as envisaged in Article V of the Memorandum. However, Finland reserves full freedom to continue the imports of grain in accordance with her traditional trade pattern. Consequently, Finland makes a reservation as to the obligation put forward under paragraphs 2 and 4 of Article II.