DRAFT PRESS RELEASE

First Annual Report by the U.S. Government

on the Waiver granted on 5 March

in connection with the Agricultural Adjustment Act

Note: An attempt has been made to reduce to a minimum the remarks of delegates concerning detailed aspects of the Report since the Report remains restricted and is not available to the press.
First Annual Report by the U.S. Government on the Waiver granted on 5 March in connection with the Agricultural Adjustment Act

The Contracting Parties have heard preliminary statements concerning the First Annual Report by the United States Government under the Decision of 5 March 1955 and have set up a working party to examine the report. (The Decision in question recognized the difficulties arising from the terms of Section 22 of the U.S. Agricultural Adjustment Act and permitted the U.S. to apply conflicting measures under this legislation without being in violation of its obligations under the Agreement. Under the Decision, the Contracting Parties will review annually action taken by the United States under this legislation.)

Introducing the Report, Mr. John M. Leddy, United States, summarized the Report as a whole, as follows:

(a) Since the waiver was granted, the U.S. has not imposed any new restrictions or intensified any existing ones. It has removed import controls in the case of oats, barley, almonds and filberts. With respect to tung oil and tung nuts, the proposals for restrictions on these products are no longer being considered.

(b) The restrictions currently in effect cover import quotas on cotton, wheat, dairy products, peanuts and rye and its products. In addition there are special import fees on flax seed, including linseed oil and peanut oil.

(c) The Report makes it clear that the U.S. is engaged in a serious effort to attack the basic causes of the surplus problem. This effort has centered on the lowering of the levels of price support for almost all of the commodities involved and in the case of some of them, on the use of acreage allotments and marketing quotas designed to bring supply under control. In the case of dairy products, for example, the level of price support has been brought down to 76 per cent of parity in the 1955–56 marketing year as compared with 90 per cent a short time ago. Support levels have also been dropped substantially for wheat, flax seed and rye. In the case of wheat, cotton and peanuts, both acreage allotments and marketing quotas have been applied to domestic production and
marketing. For example, wheat acreage has been cut 30 per cent from 78 million acres to 55 million acres, comparing 1953 with 1955. Cotton acreage has been reduced 32 per cent in the same period from 25 million to 17 million.

(d) The U.S. Government has also developed methods of domestic disposal for some of these products which have helped to reduce the size of surpluses. Almost all of the funds available to the Government under Section 32 of the Agricultural Adjustment Act, which allots a portion of U.S. customs revenue to disposal purposes, have been used for the purpose of increasing domestic consumption through school lunch programs and the like. The amounts of such funds expended for purposes of domestic disposal in the fiscal year 1954 amounted to $189 million as compared with $13 million used for the purpose of export subsidies.

(e) The surplus problem, with which Section 22 controls have been associated, continues to be a serious problem although it seems more manageable now than it did. By and large, current production has been brought into balance with current demand. Stocks are heaviest in the case of wheat and cotton; but in the case of dairy products the situation is considered to be much better. The U.S. Government believes that it is moving in the right direction. Even though restrictions may have to be maintained for a time, the report shows definite progress toward a solution of this problem.

Dr. C.M. Isbister, Canada, said that while the Report represented a model to be followed, it was disturbing to consider that a large sector of trade continued to be subject to special restrictions. For this reason it was essential to keep the field under careful review and to continue to search for measures which would effectively reduce the need for such restrictions.

Mr. H.E. Kastoft, Denmark, expressed the appreciation of his Government on the scope of the Report and noted with gratification that it had been possible for the U.S. President to permit the controls over three commodity groups to expire. Turning to dairy products he noted, with disappointment, that the import quotas fixed for butter, cheese and dried milk products for 1955-56 are the same as the quotas for 1953-54 and that there had thus been no improvement over a period of 3 years. Referring to butter, Mr. Kastoft said that the butter quota, only 700,000 lbs for 1955-56, was very small and represented only
one third of the commercial export sales from the surplus stocks. On the
subject of prices, Mr. Kastoft said that Denmark had always maintained that the
artificially high prices on dairy products were not in the long-term interests
of American farmers as they definitely reduced the consumption and that - if this
situation were prolonged over a long period - the average consumer might forget
the virtues of butter in relation to other fats in which case a part of the
market would be lost forever for both American and foreign farmers. Mr. Kastoft
thought that the lower prices and reduced stocks might have led to an increase
in the U.S. import quotas but this was not the case. He considered that the time
had come for an increase in the quotas in general and for the suppression of
import restrictions on the types of cheese which are not subject to price support.
In conclusion, Mr. Kastoft said that while his Government appreciated the efforts
which had been made to dispose of the surplus stocks in an orderly manner, they
regretted that there was no indication as to whether and how the U.S. Government
was going to tackle the basic problems of bringing consumption on the one hand
and domestic production and imports on the other hand into balance, without
support schemes and import restrictions.

Baron C.A. Bentinck, Netherlands, said that the main interest of his
Government was concerned mainly with U.S. restrictions on imports of dairy
products. The report showed, he considered, that U.S. domestic stocks of dairy
products had fallen considerably. At the same time he noted that the existing
import quotas for butter and for cheese form a very small percentage of total
U.S. domestic consumption. These factors should enable the U.S. to increase
import quotas considerably without any serious implication for the domestic
situation. Baron Bentinck said that the report was not promising at all as to
the steps which he thought could be taken in the near future with a view to a
gradual relaxation or removal of the restrictions. He stressed that in solving the
dollar problem the non-dollar countries need a progressive and stable import
policy in the U.S. - a policy which aims at expanding trade by the elimination of
quantitative restrictions and other barriers to trade.

Mr. G.D.L. White, New Zealand, said that his Government had been opposed
to the granting of the waiver to the U.S. and that they regarded the U.S. agri-
cultural surpluses as a serious threat to their trade and security. The basic
cause of the problem was the artificial price support system, which not only led
to import restrictions but also had a depressing effect on world prices and on the economies of the countries concerned. It was the responsibility of the United States and of the Contracting Parties as a whole to see that the situation was remedied as soon as possible. In his Government's view the terms of the waiver did not put enough compulsion on the U.S. to secure an early elimination of the restrictions.

M. T. Notarangeli, Italy, said he regretted to see in the Report that for certain categories of dairy products there had been no change in the restrictions in the period under review in comparison with earlier periods and he hoped that in the future it would be possible for the United States to make a noticeable reduction in these restrictions.

Mr. Warwick Smith, Australia, said that the dairy products situation seemed to be improving and if the current trend continued it would be possible to look forward to normal conditions of trade. On the other hand the situation for wheat was most disturbing and this was a matter that was relevant to the agenda item on Surplus Disposals introduced by Australia. Mr. Warwick Smith stressed that the waiver was the most important yet granted and the need for the most serious scrutiny at each annual review, of action taken under the waiver; this should be carried out in a working party.

Mr. O.P. Machado, Brazil, while approving the contents of the U.S. Report, emphasized that the most important aspect of the question was the relationship between the waiver granted to the U.S. and the question of the disposal of surpluses. In the view of his Government these matters must be discussed as parts of the same problem.

After Mr. Leddy, United States, had acknowledged the views expressed by various speakers, the Chairman announced the setting up of a working party "to examine the first Annual Report by the United States Government under the Decision of 5 March 1955".