Third Annual Report by the United States Government on the waiver granted on 5 March 1955 in connection with the Agricultural Adjustment Act:

Discussion in Plenary Session

The Contracting Parties have discussed in plenary session the Third Annual Report of the United States Government under the Decision of 5 March 1955. This Decision recognized the difficulties arising from the terms of Section 22 of the United States Agricultural Adjustment Act and permitted the United States Government 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 Third Annual Report, Mr. Charles W. Adair, United States, made the following comments:

The Third Annual Report of the United States under the Decision of 5 March, 1955, shows that for 1957-58 import controls will be in effect for the same six commodity groups, namely cotton and cotton waste, wheat and wheat products, rye and rye products, peanuts (including peanut oil), flax seed (including linseed oil) and certain dairy products (butter, certain cheeses, dried milk products, butter oil etc.). Two modifications have been made in the dairy import controls.

Subsequent to the preparation of the Annual Report the contracting parties were notified that the President of the United States had, on 9 September 1957, proclaimed quotas on the imports of tung oil for the remainder of the current crop year and for the three crop years ending 31 October, 1960.

Detailed information is given in the Report on the considerable number of actions taken by the United States to work toward a solution of the surplus problem. These actions include (a) downward adjustments in price support levels; (b) reduction of the area to be planted through mandatory controls and by means of the Soil Bank programs, in which many farmers have participated; (c) large domestic and foreign consumption expansion programs. As regards price support adjustments,
the Report states that the support price for wheat has been reduced from $2.24 per bushel for the 1954 crop to $1.78 for the 1958 crop, or from 90 per cent to 75 per cent of parity. The support price of upland cotton was reduced from 90 per cent to 78 per cent of parity. Dairy price supports were reduced from 90 per cent of parity in 1949 to 82 per cent for manufacturing milk and 79 per cent for butter fat in 1957. The combined effect of the mandatory acreage restrictions and of the Soil Bank has been a gradual reduction of the acreage of wheat planted from 83.9 million acres in 1949 to 49.7 million acres in 1957. The wheat acreage harvested was only 43.2 million acres, the lowest since 1870. The planted cotton acreage was reduced from 27.9 million acres in 1949 to 14.2 million, according to the 1 July, 1957, estimate. As an example of the importance of the consumption expansion program, it may be noted that, in the marketing year 1956-57, the United States made available a total of 977.4 million pounds of dairy products on a grant basis to domestic and foreign people in need. This equals 85 per cent by weight of the total price support purchases in that year.

The Report also shows that during this period when the above drastic reductions in acreage were being made, the levels of price support were also reduced sharply. For example, the support level for cotton was reduced from 31.7 cents per pound for the 1955 crop to 29.34 cents for the 1956 crop and to 28.81 cents for the 1957 crop (1958 support level not yet announced). The support price for peanuts was reduced from 12.2 cents per pound for the 1955 crop to 11.3 cents for the 1956 crop and to 11.1 cents for the 1957 crop. In the case of dairy products some adjustments have been made in the level of supports. The dairy support program has been handled in a manner that purchases for support have declined from an amount equivalent to 10 per cent of total milk production in 1953 to an estimated 4 per cent during the current season.

Mr. Finn Gundelach, Denmark, after thanking the U.S. delegation for providing a Report which was both comprehensive and useful, said that Denmark had continuously been concerned with the fact that protection of domestic production combined with subsidization tends to lead to a surplus production; this surplus production is
offered for export and thus influences in a harmful manner the normal pattern of international trade. Such a policy of combined protection and subsidization thus constitutes a serious and constant threat to Denmark's normal export interests. Denmark, he said, attaches a keen interest to the possibilities of relaxation and abolition of existing quantitative restrictions for imports into the United States of agricultural products and especially dairy products. For this reason his Government found it very regrettable that the past year had brought no such development in the agricultural import policy of the United States but that on the contrary the number of dairy products for which import restrictions are in operation has recently been increased (namely, to include butter substitutes and articles containing 45 per cent or more butterfat).

Mr. Gundelach said that, although the support price for wheat had been successively reduced during a period of years, the support price for dairy products had not been changed from 1956/57 to 1957/58. In 1956, when these support prices were raised, the U.S. delegation had said that this was due to the fact that the Soil Bank Program had not been put into operation as early as expected. This Program was now in full operation. Mr. Gundelach said he appreciated all the important steps being taken under various programs to stimulate the consumption of dairy products within specific and very important consumer groups in the United States. As a result of these measures a certain increase in the consumption of milk seemed to have taken place; but this increase was far from sufficient to solve the problem. Whereas the statistics showed that last year the surplus stocks of dairy products had been somewhat diminished, the rising production in recent months tended to aggravate the surplus problem again. A permanent solution could only be reached through an effective curtailment of production, or better, through a more general increase in per capita consumption in the United States. This, again, could only be achieved if consumer prices were brought down through successive reductions of the support level for milk products.

Mr. J. Warren, Canada, said that his delegation appreciated the comprehensive report submitted by the U.S. Government and in particular the evidence it showed of the efforts being made by the United States to deal with the problem of surplus agricultural production.
Mr. J.H.W. Hoogwater, Netherlands, supported the views of the Danish delegate and said there was much concern in the Netherlands about U.S. marketing policies for agricultural produce. There had been no real improvement in the export position during the past year. The attitude of his Government towards the U.S. waiver remained unchanged. However he was definitely convinced that the U.S. Government realized the need to keep import restrictions on agricultural products to a minimum and would continue to do so in the future. Nevertheless real harm had been done and continued to be done to the trade of other countries.

Mr. J. Richardson, Australia, said that the position was much the same as it was a year ago. He noted that there had been no relaxation of restrictions since the First Report was presented. It was especially disappointing that there had been no relaxation of restrictions on imports of dairy products and that these had been extended to include butter substitutes. Mr. Richardson cited the quota for butter at approximately 350 tons per year, a figure which represented an insignificant proportion of total U.S. consumption of butter. His delegation felt that there should be a review of existing quota levels, in particular those of butter, so as to give exporting countries some prospect of sharing in the increased consumption of dairy products in the United States as recorded in the Report.

Mr. H.G. Lang, New Zealand, said that when the waiver was granted in 1955, his delegation stated that it should be regarded by the United States as a temporary shelter under which the dismantling of agricultural protection could be carried out rather than as an authority to continue and even intensify the import restrictions. Events had shown that these hopes had not been fulfilled. Regarding dairy products, he noted from the Report that during 1957 restrictions were imposed on butter oil "because of the efforts of foreign exporters to develop markets in the United States for products with high butterfat content which were not subject to import controls". He hoped that other contracting parties who had high hopes of building up exports to the United States of products which U.S. importers want, and which their efficient industries can export competitively to the U.S., had taken due note of the implications of this statement.

Mr. A.T. Velladao, Brazil, said that his delegation had taken note of the progress made under the U.S. waiver. He hoped that before long the United States
would be able to state that these restrictive measures need not be maintained and that the waiver would thus be no longer necessary.

The Contracting Parties agreed to refer the Third Annual Report of the United States to a working party.

Mr. J.H.W. Hoogwater, Netherlands, said that his Government regretted that U.S. import restrictions on dairy products had remained substantially unchanged during the past year. Concessions granted by the United States to the Netherlands had therefore remained impaired, in the sense of Article XXIII, to virtually the same extent as in previous years. His delegation therefore requested an extension for another year of the authorization to limit imports of wheat flour from the United States to a maximum of 60,000 metric tons. This request was referred to the working party.