Panel for Conciliation

FRENCH ASSISTANCE TO EXPORTS OF WHEAT AND FLOUR

Statement by M. GONDARD, Assistant Director of
the National Inter-professional Grains Office (ONIC)
at the meeting held on 29 April 1958

M. GONDARD wished first to make a statement of principle. It should be understood that each country was master of its own economic policy, and in particular of its own agricultural policy. He had been surprised to see France singled out for an attack on the policy of granting export subsidies, since Sir Edwin McCarthy's visit to Paris in early 1956. As was well known, a great number of countries had deemed it necessary to support the level of agricultural prices in order to prevent social, economic or political troubles. For instance, United States agricultural policy over the last twenty-five years had been based on a system of parity or support prices which prevented domestic prices from falling below the cost of production. If domestic prices fell below world prices the government would gain a profit on exports; if world prices were lower than the domestic price, a subsidy had to be paid on exports. That was a price equalization system. If it was France's agricultural policy that was being questioned, then what about other countries with a system of guaranteed domestic prices?

France had followed a policy of export subsidies on wheat since 1933, and on wheat flour virtually since the nineteenth century, when the temporary duty-free admission procedure had been instituted for wheat which was re-exported as flour after milling; under that procedure it had for a while in fact been possible for some of the flour milled to be channelled to the domestic market and sold at a considerable profit, and consequently the quantity re-exported could be sold at a lower price.

Between 1860 and 1870, for instance, France had been a net exporter of wheat, and there had been no competition from Australia then.

There were some countries which exported flour at lower prices than France although their domestic prices were at least as high. The millers in those countries were allowed to purchase at world prices considerably more wheat than they needed for flour exports; they could then reap a large profit on the domestic market and sell flour for export at prices below the French level. France had consequently lost outlets, and had exported hardly any wheat flour since
November 1957, because she was unable to compete with prices which, in the case of a tender for Ceylon, had been £2 or £3 per ton below the price asked by French millers.

The National Inter-professional Grains Office (ONIC) had been brought into existence in 1936, to protect the economic system which was based on maintaining wheat prices at all stages of the marketing process, and this had been extended to all grains in 1940. The Office had a monopoly over the import and export of wheat and wheat products.

In 1938/39, the French wheat harvest had been very abundant and considerable quantities had had to be exported at a loss which was borne entirely by producers and consumers. That situation would probably have recurred in ensuing years had it not been for the war. In fact, from 1944 to 1948 France had been a net importer.

Over the last hundred years, the area under wheat has steadily diminished from 17.5 million acres to 12.5 million acres before the war, and to 10.5 million at the present time. As a result of better farming methods, better strains of wheat and better scientific knowledge, however, total production had not fallen and was in fact greater on 10.5 million acres now than it had been on 17.5 million a hundred years ago.

Whenever wheat production exceeded demand, France made every effort to absorb the surplus, for instance by using wheat for animal feed and by increasing stocks, and only the balance was exported. The French climate was such, however, that usually, in two years out of three, the wheat was too damp for storage; for the same reason, it was generally unsuitable for export to tropical or sub-tropical countries and therefore had to be exported in the form of flour.

Since production had again reached a level higher than consumption needs the French Government was trying to make the producers meet the loss on exports, and to the extent that the loss was borne by the producer, no subsidy could be said to exist. The price paid to the producer varied according to the amount delivered by him. A producer delivering more than 100 tons received for each ton above that amount Fr.frs. 4,500 per ton less than one who delivered less than 5 tons. If the difference in price was sufficient to cover the export subsidies, the effect would be the same as if the price of wheat in France was lower and the producer himself paid the cost of exporting. For reasons of domestic policy, however, as in many countries, the State had been obliged to participate in the cost of the subsidy.
The Government was still making efforts to reduce wheat production. It had published a new regulation on agricultural production in September 1957, and in October had announced the basic prices to be paid for wheat during the period 1953/61 which would be gradually lowered from frs. 3,350 per quintal in 1957 to frs. 3,200 in 1961. Moreover, since 1955 the basic price had only been guaranteed for a maximum amount of wheat - 6.6 million tons in 1955 and 1957 - any additional quantities being paid for at the price obtainable, whatever that might be.