GENERAL AGREEMENT ON TARIFFS AND TRADE

Group on Cereals

ELEMENTS TO BE TAKEN INTO CONSIDERATION

1. Coverage

The discussion would have to include all cereals i.e. wheat, wheat flour and the main coarse grains.

2. Agricultural price support and other support and organizational measures

It is recognized that the rapid rise in production in exporting and importing countries due to technological improvements and agricultural price support policies constitutes the root of the problem facing international trade in cereals. A general objective should be to improve the balance between supply and demand. The discussion will have to cover internal support prices and other organizational measures.

(i) Internal prices

The discussion will have to deal with the question of restraint on support of financial returns to producers likely to have the effect of increasing cereals' production. For example consideration under this heading might be given to:

- commitments as regards the height of the domestic support of intervention price level so as to discourage excessive production,
- commitments as regards an adaptation of the height of production subsidies,
- commitments to limit price and income support to a certain negotiated standard quantity,
- commitments to negotiate on any other measure affecting income and price policies.

(ii) Other organizational measures

Arrangements on prices may not be sufficient by themselves to restore permanently the equilibrium between supply and demand. Effective measures of supply limitation should be considered, taking into account the comparative
advantage of efficient producers who at the present time produce without appreciable government support. To this end consideration might be given to the question of direct production control, inter alia, through commitments as regards the area under cereals' production, or the quantities of domestic production entering into commercial markets. The discussion will also cover the question of stock policies.

3. **International trade**

(i) **International prices**

The objective would be to stabilize international prices at a level remunerative for efficient producers and reasonable for the consumer. To this end consideration should be given to the question of narrowing the gap between internal prices and international prices. In this connexion the following might be considered:

- commitments gradually to eliminate export subsidies,
- the adoption of a precise price range by specifying in advance the price for the different qualities of wheat, wheat flour and the principal varieties of coarse grains,
- the adoption of effective procedures for enforcing such prices by requiring importing and/or exporting countries to take appropriate action when the agreed minimum price is not being or not likely to be observed either by other member countries failing to fulfil their obligations or by non-member countries,
- the question of stock policies as a means of stabilizing international prices.
(ii) Access

Measures affecting prices and production designed to restore the equilibrium between supply and demand may not suffice to establish reasonable access for exporting countries on normal commercial terms to the markets of the importing countries. To this end consideration might be given to the following:

- commitments that the flow of trade shall not be unduly impeded by barriers at the frontier (e.g. import prohibition, import restrictions, unduly high tariffs, unduly high variable levies),
- commitments on the quantities to be imported.

(iii) Assurances of supply by exporting countries

4. Non-commercial disposals

Where surpluses develop, consideration should be given to arrangements providing for their orderly disposal, having due regard to the possibility of using such surpluses for the benefit of developing countries. Such arrangement should have regard to the principles and guiding lines established by the FAO, should involve as little as possible interference with the normal course of trade and should not cut across the present responsibilities of existing international organizations for food aid. In this connexion it should be considered whether all grain producers including importers as well as exporters should contribute to the World Food Programme.

5. Procedures

If the discussion of the points enumerated above lead to the conclusion of an arrangement, consideration will have to be given to the question of procedures for the effective implementation of the arrangement.