Group on Cereals

NOTE BY THE UNITED KINGDOM DELEGATION

Basic objectives

1. The United Kingdom delegation consider that the main objectives of international cereals arrangements should be:

   (i) the establishment of a better and more economic balance between supplies of cereals offered on the world market and commercial demand, at stable price levels which are fair to consumers while providing a reasonable return to efficient suppliers, and

   (ii) the provision within such a balance of acceptable conditions of access for imports in furtherance of a significant development and expansion of world trade.

2. Such international cereals arrangements should cover wheat; the main coarse grains; wheat flour; and such other cereal products (e.g. meals and other cereals flours) and by-products (e.g. milling offals) as it is necessary to cover in order to ensure that the objectives for cereals are not frustrated.

Methods of securing objectives

(i) The balance of supply and commercial demand, including access

3. In the opinion of the United Kingdom delegation, the key element in securing the basic objectives is the conduct of domestic cereals policies by all countries, whether importing or exporting. It is this element which is crucial for the establishment of a better and more economic balance of supply and commercial demand, and for the provision of acceptable conditions of access. It also has an important bearing on other aspects of the objectives such as the avoidance of surpluses and the establishment of more stable prices at levels which are reasonable to importing and exporting countries alike.

4. The United Kingdom delegation therefore consider that all contracting parties, both importing and exporting, should undertake to exercise restraints in the application of governmental measures which would encourage an increase in the uneconomic production of cereals. In particular:
(a) Importing countries should undertake to exercise restraints in the application of governmental measures, which would encourage an increase in the uneconomic production of cereals, so as to promote a fair and reasonable balance between domestic production and imports. Such a fair and reasonable balance should permit the total volume of cereal imports by each importing country to be maintained, taking one year with another, at a level corresponding to the average level in a recent representative base period, and in addition provide both domestic producers and overseas suppliers with the opportunity to share in any growth in consumption in a fair and reasonable way. The methods of restraint adopted for this purpose could differ as between importing countries according to their economic and agricultural circumstances. The extent to which the exercise of restraints adopted by importing countries as achieving the objective of such a fair and reasonable balance should be reviewed annually, and if it is found that the restraints applied have failed to secure such a fair and reasonable balance with the consequence that the total volume of cereals imports has declined or is likely to decline appreciably below the level of the representative base period, importing countries should accept an obligation to take promptly such corrective action as is necessary;

(b) Exporting countries should exercise restraints in the application of governmental measures which would encourage the uneconomic production or exports of cereals so as to maintain supplies being offered on world markets in a fair and reasonable balance with commercial demand at stable prices reasonable to both importing and exporting countries. The maintenance of such a fair and reasonable balance would in these circumstances mean that the total volume of such cereals exported from each exporting country to meet commercial demand should be maintained at a level, taking one year with another, not appreciably above the average level of a recent representative base period, which would at the same time provide the opportunity to share in any growth of consumption in a fair and reasonable way and should avoid the creation of burdensome and uneconomic stocks. Such restraints would not be expected to restrict production required to meet non-commercial exports to developing countries, but such exports should be made in accordance with rules or guidelines designed to ensure that they would not frustrate the objectives relating to commercial trade. The methods of restraint adopted for this purpose could differ between exporting countries according to their economic and agricultural circumstances. The extent to which the exercise of such restraints is achieving the objective of a fair and reasonable balance should be reviewed annually, and if it is found that the restraints applied have failed to secure the above objective with the consequence that the total volume of such cereals exports has risen or is likely to rise appreciably above the level in the representative base period, exporting countries should accept an obligation to take promptly such corrective action as is necessary.
5. In addition it is considered that, with the objective of furthering a significant development and expansion of world trade in cereals, and the establishment of fair conditions of trading, all countries, both importing and exporting, should modify their policies as necessary to ensure that the flow of trade is not impeded by unreasonable barriers at the frontier. All such barriers should be notified to the appropriate authority under any international cereals arrangements and their effect on the flow of trade should be reviewed annually.

(ii) International cereals prices

6. The United Kingdom delegation also consider that it would be to the advantage of all countries, both importing and exporting, to introduce improved measures to prevent undue short-term fluctuations in international cereals prices, while recognizing that the longer-term price levels would, in a free market, be determined by the balance of supply and commercial demand. The level of prices in the longer term should be one which, while being fair to consumers, would provide a reasonable return to efficient suppliers of cereals on the world market. For this reason, it is considered that the subsidization of exports is contrary to these aims and that exporting countries should undertake to exercise restraint in the application of measures which would encourage any increase in the subsidization of cereals exports, and to aim at a gradual reduction of existing export assistance by way of subsidies or otherwise. The way in which such restraint is being exercised should be reviewed annually.

7. In the view of the United Kingdom delegation, the best method of attaining the objective of stable international prices would be by means of a multilateral contract, comparable to the International Wheat Agreement, under which all contracting parties should accept a general obligation to trade within a price range, i.e. not to sell or buy cereals either below specified minimum prices or above specified maximum prices. The price range in relation to wheat (and wheat flour) could be narrower than under the current International Wheat Agreement, with the minimum being set at a slightly higher level. Maximum and minimum prices for wheat (and wheat flour) should be differentiated according to the main qualities, and price ranges should be established for the main coarse grains and any necessary cereal products and by-products.

8. If any exporting country fails to fulfil its obligation: to sell at not less than the lower end of the price ranges, importing countries should be entitled, in fulfilment of their obligations, to protect the price level in their domestic market by appropriate means e.g. import levies.
Assurances of supply and purchase

9. In order to promote increased stability of international prices, there would need to be assurances of supply by exporting countries, which would require the maintenance of adequate working stocks, and similar assurances of demand by importing countries in relation to their commercial requirements.

10. To provide for the reasonable commercial requirements of importing countries on fair terms when international prices were at the maximum level of the price range, exporting countries should undertake to sell to importing countries, at not more than the maximum price, the balance of their commercial requirements, based on the volume of their commercial purchases from participating exporting countries during a datum period. There should be similar assurances by importing countries relating to purchases of commercial requirements from exporting countries when international prices were at the minimum level of the price range.

Other elements

11. In accordance with the proposal made by the Chairman of the Group, the United Kingdom delegation have confined their suggestions in the preceding paragraphs to the basic elements for international cereals arrangements, while recognizing that there are other important matters, such as non-commercial disposals and international institutions which will also need to be covered. The United Kingdom would be prepared to accept obligations of the kind suggested in this note provided that other contracting parties were prepared to accept similar or comparable obligations.