

3 November 1958

NOTE CONCERNING EXPORT AIDS IN THE GRAIN SECTOR

The main grain items, in particular wheat, are subject to fixed prices in France. The quantities traded in our foreign trade therefore give rise to price equalization. In periods when, as is the case now, internal price levels are above the price levels usually obtaining in international markets, the National Inter-Professional Grains Office (ONIC) levies or pays a differential on account of imports or exports as the case may be.

In the case of wheat in particular, current exports give rise to payment of a differential which varies depending upon the following factors:

- the date when the transaction took place (the internal purchase price increases by 16.50 francs per quintal every fortnight);
- the geographical location of the lots to be exported (handling and transportation charges depend upon the distance between the place where the stock-pile is located and the point at which export takes place, upon the means of transportation and the loading rates obtaining in harbours where loading takes place);
- the characteristics of the shipments concerned (premium or deduction schedules are applicable depending upon the precise specifications which are established at the time of removing);
- current trends (prices which can be obtained in foreign markets show material fluctuations).

Payments made to exporters are only partly in the nature of budget subsidies. The necessary financing is effected to a great extent by the wheat producers themselves who pay both the progressive so-called surplus disposal tax and have to bear the costs of deliveries in excess of the agreed quantum.

In other words, the situation is exactly as if producers did not receive on the average more than 2,864.74 francs per quintal of wheat meeting average specifications, although the base price paid to producers has been fixed at 3,350 francs (to take the 1957-58 season as an example):

	Base price	3,350 francs	
Less:			
	Miscellaneous taxes	64.00	
	Average surplus disposal		
	tax	143.75	
	Incidence of quantum	<u>277.50</u>	
			<u>485.25 francs</u>
			<u>2,864.75 francs</u>

Spec/303/58

English only

Anglais seulement

1. Surplus Disposal Tax

This contribution, which is levied only on that part of deliveries which is not in excess of the quantum, is applied on the basis of a highly progressive rate. Whereas deliveries of less than 50 quintals were fully exempt, the rate applicable for those deliveries in excess of 1,000 quintals is no less than 450 francs per quintal. As a result, in view of the incidence of the quantum, quintals delivered in excess of 1,000 units give rise to a payment which does not exceed 2,558.50 francs.

2. Quantum

For the 1957-58 season, the maximum price has been paid only in respect of 68 million quintals. It is estimated that the quantities marketed represent about 80 million quintals. It is therefore clear that 85 per cent of deliveries were paid at the legal price and a first instalment of only 1,500 francs has been paid in respect of the outstanding 15 per cent. Hence the average price indicated above:

85 per cent at 3,350	=	2,847.50	
15 per cent at 1,500	=	<u>225.00</u>	
		3,072.50	
Less miscellaneous taxes		<u>64.00</u>	
		3,008.50	
Average surplus disposal contribution		<u>143.75</u>	2,864.75 frs.

The surplus disposal contribution for the 1957-58 season has yielded about 11,000 million French francs. On the other hand, the repayment by co-operatives and traders of the difference on account of wheat delivered in excess of the quantum (representing 277.50 francs on an average basis) yielded more than 22,000 million francs. The supplement required of the State to secure the run down of surpluses (exports and methylation) has not exceeded 15,000 million French francs, representing roughly between 25 and 30 per cent of the total contribution.

The following points should be particularly emphasized:

1. The average price paid to French producers i.e. 2,864.75 French francs is one of the lowest prices paid for European production. It cannot be said that such a price level is in the nature of an incentive to wheat production.
2. In fact the policy which has been followed for a few years now tends to encourage wheat producers to reduce the area seeded to wheat. This policy has been clearly manifested in particular by the publication of the Decree of 10 October 1957, laying down the prices for certain agricultural products for the year 1951. The base price for wheat should be reduced from 3,350 francs in 1957 to 3,200 francs only in 1961.

3. Surpluses are not automatically exported. Efforts are being undertaken to increase fodder production and therefore livestock production. The wheat surpluses for the season 1957-58 amounted to 30 million quintals, of which 21,345,000 have been exported and more than 9 million delivered for feed, whether in methylated form (8,946,000 quintals) or not.