

13 April 1960

OUTLINE OF REPORT OF COMMITTEE II

1. The Committee has so far carried out consultations on agricultural policies with twenty-two countries (Australia, Austria, Belgium, Burma, Canada, Ceylon, Denmark, Finland, France, Germany, Indonesia, Luxemburg, Malaya, Netherlands, New Zealand, Norway, Federation of Rhodesia and Nyasaland, South Africa, Sweden, Switzerland, United Kingdom and the United States). Consultations with four countries (Czechoslovakia, Greece, Turkey, Yugoslavia) are scheduled to take place during the sixteenth session and the Committee will draw up a time-table for the balance of the consultations, some of which may be scheduled for the seventeenth session.
2. Consultations so far held have taken the form of an examination of the general agricultural policy of the country concerned and discussion of policies in relation to those specific commodities entering importantly into world trade on which the Committee had agreed consultations should be concentrated (dairy products, meat, cereals, sugar, vegetable oils and fish). Additional commodities were also covered in consultations where requests had been received for these to be included. Each consultation was carried out on the basis of documents containing a synopsis of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers, and detailed information on tariffs, subsidies, quantitative restrictions, etc., on the commodities selected for study.
3. In its first report the Committee put forward its view that the consultations would not only provide an appropriate and valuable means of filling gaps that existed in the available material but would also serve as one of the bases for further work of the Committee under the second and third of its terms of reference. The Committee expected that consultations carried out on the lines it had proposed would provide a reasoned picture of the types, extent and effects of the protective measures employed in respect of the important agricultural commodities and at the same time of the agricultural policies of the individual countries as they affect production or trade.

4. In the event, consultations so far held have served the purpose of providing a substantial volume of additional information on the individual systems applied including statistics on trends in production, consumption, imports and exports of the selected commodities in the individual countries. Further, they have added to the understanding of the objectives pursued by the consulting countries, the reasons for the systems and how these systems are being implemented. The consultations have also served the purpose of providing a forum for a concrete examination on a country-by-country basis of the effects on trade in the selected commodities. The agricultural exporting countries have pointed out their concerns at the effects that the systems and measures have had on production, consumption, etc., within the country concerned and on the trade of the country concerned and the importing countries have ventured to give replies to the concerns expressed and their views on effects of the measures within the country and the trade of the country. No conclusions were drawn.

5. Committee has not so far been able to give sufficient attention to an examination of the effects of the protective measures on international trade as a whole. No analysis of a general nature of the effects of the systems on the basic commodities has yet been attempted. Comments have been made (and recorded in the reports of the individual consultations) on the advantages and disadvantages of the systems but no consolidated comparison of measures has been made and no conclusions reached by the Committee.

6. Much of the material which will be needed to carry out an analysis and calculation on a global basis of the general effects of the individual systems on the basic commodities has already been compiled in the individual consultations so far carried out. This material has been drawn together by the secretariat who have prepared a statistical study on a commodity basis on trends in production, consumption, exports and imports for countries already consulted on the commodities covered in the consultations. From the information already provided by the consultations the secretariat has also for each commodity made a collation of the use of non-tariff devices for each country consulted and has indicated where tariff concessions have been granted. Both these documents attached to the report.

7. As to general studies, including other material which may be needed for the analysis and calculation on a global basis mentioned in paragraph 6 above, Committee also looked briefly at question of comparison of degrees of protection which Panel of Experts has suggested should be carried out. One delegation submitted a paper on the question. Committee recognized that while the undertaking would be difficult and results inevitably arbitrary, study should nevertheless be made if this were possible. The secretariats of FAO and GATT will present a joint paper setting out the technical possibilities of carrying out such a study and the bases on which such a study might be made. Within the broad question of comparison of degrees of protection, Committee also looked at paper produced by secretariat on specific element, i.e. comparison of prices received by farmers in various countries in 1955/56 (COM.II/W.6). FAO submitted its views on the bases used in the secretariat paper. Some countries did not agree with the figures used in the secretariat paper and the Committee agreed that the paper should be developed; the secretariat is undertaking this work. During some consultations point was made that changes in retail prices had no perceptible effect on volume of consumption. Committee agreed that, in order to carry out a thorough evaluation of effects of agricultural systems on international trade in commodities concerned, the secretariat should make studies of relationship between retail prices and consumption of individual foodstuffs, particularly meat and dairy products, in a number of countries.

8. In its examination of individual systems employed and objectives that countries were trying to reach, Committee found that in general the main broad objectives were: (i) to maintain or raise general level of farm incomes in order to provide agricultural incomes roughly comparable with other sectors of the economy; and (ii) to reduce fluctuations in farm prices and incomes and in particular to give some safeguards against sharp falls in prices. At the present time, objective of income comparability was of importance mainly in industrialized countries while price stabilization was more important in agricultural exporting countries. Bases on which countries attempted to establish comparability of agricultural income with other sectors of economy varied considerably. These bases include, for example, measurement in terms of

prices for agricultural commodities sold in relation to prices of commodities bought by farmers (United States), incomes for an average well managed farm of a certain size designed to be at same level as those received by workers in other industries in the same sort of environment, e.g. small towns (Germany).
[Might have a few more examples.] [Should also presumably say something about stability of price objective and how implemented - use of producer funds, etc.]

9. Committee found that in general countries claimed that, whatever effects on production and consumption of systems employed might be, they were not aiming at self-sufficiency in agricultural commodities nor even that an increase in production generally was a main objective of agricultural policy. They found, however, that in many countries for a variety of reasons, e.g. to reduce dependence on imported foodstuffs for balance of payments, security, etc., a main aim was the production of a certain amount of a product within the national boundary. They also found that some major countries for other economic reasons stimulate production and even exports.

10. Committee found that a wide variety of methods used to achieve aims and objectives. Two main categories of measures used. Long-term measures related to bringing about structural improvements in agriculture by increasing efficiency of farms. Grants for rebuilding, electrification, drainage, education, road-building, etc., are made. Measures such as these employed in nearly all countries - specially important in countries with small farms, poor distribution of land, etc., but Committee found that countries differed considerably in degree of attention being given to structural improvements. In many cases it was found that there had been a movement of population away from agriculture which had helped to bring about an increase in efficiency. A number of countries realized the importance of movements from agriculture and were aware of necessity of facilitating such developments. Other countries, while not disagreeing with the necessity for movement of agricultural population, could not take active steps to bring this about. The Committee found that agricultural economy could not be separated from development of economy as a whole and changes in agricultural economy must be made in climate of economic expansion and high level of economic activity being experienced at present time.

11. Effects of long-term measures could only be felt in long term. Countries felt that in the short term therefore they had to regulate markets in some way and Committee found wide variety of measures used to achieve main objective of maintaining or raising agricultural incomes to levels comparable with the other sectors of economy. Use of non-tariff devices was widespread and deeply entrenched in most countries. Main measures seem to fall into two groups: support prices and production subsidies. In the use of former, Committee found that in the main keeping up of prices necessitated market operations and use of quantitative restrictions or fluctuating import levies or in some cases both combined. Use of production subsidies appeared not to involve so much restriction at frontier but since in all countries there were particularly sensitive sectors of agriculture these sectors were protected either by high tariffs or by quantitative restrictions. Committee found that both categories of measures could and did involve for many countries use of export subsidies or what in fact might in practice amount to export subsidies, since both categories had effects on production and therefore amounts which might become available for export. The Committee found in examination of the mechanics of the two main types of systems that, although the mechanics were of interest, it was not possible to determine the effects of the actual mechanics, but found that the important element was the price or support level which the mechanism was used to achieve. There appeared to be nothing in the mechanics of either of the main systems to prevent increases in production with consequent effects on imports of country concerned and possible effects on that country's exports.

12. In main, price support mechanism largely to be found in the United States and Continental Europe. In Continental Europe this mechanism largely supported by widespread quantitative restrictions or variable import levies or both; in the United States supported by some quantitative restrictions. Deficiency payments scheme found in main in the United Kingdom, though some instances in the United States and Canada. J Might be expanded or deleted.

13. In addition to above objectives, various countries, including both agricultural exporting and industrialized countries, pointed to need for protection against subsidized exports and there was some discussion as to whether anti-dumping and countervailing provisions of Agreement were adequate to meet these problems.

14. Various countries also indicated that side objective was to stabilize prices. There was some discussion on country by country basis as to whether price stabilization policies as applied by some countries, including agricultural exporting countries, insulated domestic farmers from effects of market forces, with consequences on levels of production and thereby on surpluses and whether these countries might not have some effect on the problem of dumping in similar way to countries having genuine protective systems.

15. During the course of consultations some countries indicated that liberalization measures had been taken and that a few agricultural commodities had been affected by these measures. No indications were, however, given that countries would abandon all quantitative restrictions when no longer in balance-of-payments difficulties.

16. Future work programme.