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Committee II - Expansion of TradeSUGGESTED TEXT FOR THE SECTION ON COARSE GRAINSI. General Characteristics of Market and Trade

1. Coarse grains present a different situation compared to the case of wheat. In the major exporting countries, there is little difference between the prices paid for coarse grains traded internally and the prices for quantities entering international trade. Export subsidies thus play a minor rôle. With respect to import restrictions, the picture for coarse grains is perhaps not as unfavorable as that for wheat, although non-tariff measures are widespread.
2. There is a close relationship between wheat and feed grains. In many cases the same resources can be used to produce either bread grains or feed grains, apart from the fact that wheat is used extensively for feed. This close relationship is reflected in the similarity of non-tariff measures which are applied to wheat and feed grains. However, the world consumption level is markedly influenced by the inadequacy of purchasing power in certain highly-populated countries in process of development, as has been noted in FAO studies on the subject.
3. The Committee noted that non-tariff measures were also widely applied to production and trade in cereals other than meal although not as extensively as in the case of wheat.
4. High prices for feed grains increase the costs of producers of animal products, which results not only in adverse effects on consumption, but also in pressures for non-tariff measures of protection for domestic producers in those fields. By relating domestic grain prices closely to the prices at which imports are available, it is felt that governments could contribute to the easing of non-tariff barriers to trade in more than one commodity sector.

II. Production, Consumption and Trade

5. With respect to demand, there would appear to be some promising prospects for coarse grains, for this is not a commodity which is hampered by inelasticity of demand. There is a considerable derived elasticity, derived from the demand for livestock products, in developed as well as underdeveloped countries.

6. With increased demand for livestock products and consequently for coarse grains as well, there should also be increased demand for imports, unless this effect is deliberately prevented by policy.

7. Owing largely to the continuous expansion of the livestock, poultry and dairy industries, especially in western Europe, world trade in coarse grains has almost doubled during the past decade. The development of these industries, including both production and consumption, in turn, is due to generally improved economic conditions and consumer purchasing power in the importing countries.

8. From 1955/56 to 1959/60 (July-June) world feed grain exports increased steadily from 17.3 million short tons to an estimated record of 25.0 million short tons. This represents an increase of about 45 per cent. The 1951/55 average was 14.9 million tons. The major part of the increase has been from the United States. The United States share in total exports rose steadily from 36.0 per cent in 1956/57 to about 51.5 per cent in 1959/60.

9. Western Europe has been, and quite certainly will continue to be, the most important feed grain export market. The principal suppliers are the United States, Argentina and the Union of South Africa, for corn; Argentina, Canada and the United States, for oats; the United States, Canada, France the Middle East countries, Argentina and Denmark, for barley; and the United States, Argentina, the Union of South Africa and Australia, for grain sorghums. World trade in grain sorghums has increased greatly in recent years, and the United States has been supplying the bulk of the exports.

10. Concurrently with increasing livestock and poultry production and consumption in many countries as a result of improving economic conditions and consumer purchasing power, world feed grain production and consumption have been expanding in recent years. The increased production has been obtained through expansion of the feed grain area and rising yields which, in turn, are the result of improved seeds and greater use of fertilizers.

11. Production has been stimulated by producer support prices above world price levels, and by direct government subsidies of various kinds. In nearly all importing countries it has been further encouraged by tariff and non-tariff restrictions and other regulations which limit imports and otherwise maintain relatively high prices on the domestic markets.

12. The 1960/61 world production of corn, oats and barley (information on output of grain sorghums in most countries is not available) is estimated at 373.4 million short tons. This is 12.6 million tons above the 1959/60 crop and 18.8 million tons above that of 1958/59. It is about 40 to 50 million tons greater than the 1957/58 and 1956/57 production. The 1950/54 average was 305.8 million tons. During 1956/57 through 1960/61, the world output of oats generally declined from 68.1 to an estimated 63.5 million tons, and barley production dropped from 81.4 to about 81.1 million tons, with some intermediate fluctuations. However, these declines were more than offset by a steady increase in corn output from 184.1 to approximately 228.8 million tons. During the same period, United States production of these three grains rose from 124.4 to an estimated 148.1 million short tons.

13. Though there are only a few importing countries that protect maize production as such, cognizance should also be taken of the protective measures in respect of feed grains in general, including the effect of surplus wheat, in assessing the magnitude of maize production. The result is probably that world trade in maize is restrained as much as in the case of wheat.

14. Stocks of maize are nearly as large as stocks of wheat, but relative to world trade the position of maize is even more serious than that of wheat for the countries concerned. Even though the large bulk of these stocks are held by a single country who has thus far been prepared and able to carry them and market them in an orderly manner, it nevertheless constitutes a serious problem especially in view of the fact that the downward adjustments in maize prices in recent years have not been permitted to result in an increased usage of maize against other feed grains in importing countries.

III. Extent of Non-Tariff Protective Measures

15. Nearly all countries of any importance in the international feed grain trade have in effect one or more non-tariff restrictions against imports of such grains, or subsidies expanding domestic output. The restrictions include global and country import quotas, exchange control, State trading, bilateral trade agreements, equalization fees, import licensing, and fixed and variable license taxes.

16. The attention of the Committee has been drawn to the fact that although the share of rice production entering international trade is relatively small, 86 per cent of imports were made by countries applying quantitative restrictions on rice. A very high proportion of world production of rice is concentrated in mainland China and a comparatively small change in the relation between production and demand in that country could have a considerable effect on world trade.