

GENERAL AGREEMENT ON TARIFFS AND TRADE  
Tenth Session of the Contracting Parties

First Annual Report by the United States Government on  
the Waiver granted on 5 March in connection with  
the Agricultural Adjustment Act: Discussion in Plenary Session.

The Contracting Parties have discussed in Plenary Session the First Annual Report by the United States Government under the Decision of 5 March 1955. The Decision in question recognized the difficulties arising from the terms of Section 22 of the United States Agricultural Adjustment Act and permitted the United States Government to apply conflicting measures under this legislation without being in violation of its obligations under the Agreement. Under the Decision, the Contracting Parties will review annually action taken by the United States under this legislation.

In introducing the Report, Mr. John M. Leddy, United States, made the following comments:

(a) Since the waiver was granted, the United States has not imposed any new restrictions or intensified any existing ones. It has removed import controls in the case of oats, barley, almonds and filberts. With respect to tung oil and tung nuts, the proposals for restrictions on these products are no longer being considered.

(b) The restrictions currently in effect cover import quotas on cotton, wheat, dairy products, peanuts and rye and its products. In addition there are special import fees on flax seed, including linseed oil and peanut oil.

(c) The Report makes it clear that the United States is engaged in a serious effort to attack the basic causes of the surplus problem. This effort has centered on the lowering of the levels of price support for almost all of the commodities involved and in the case of some of them, on the use of acreage allotments and marketing quotas designed to bring supply under control. In the case of dairy products, for example, the level of price support has been brought down to 76 per cent of parity in the 1955-56 marketing year as compared with 90 per cent a short time ago. Support levels have also been dropped substantially for wheat, flax seed and rye. In the case of wheat, cotton and peanuts, both acreage allotments and marketing quotas have been applied to domestic production and marketing. For example, wheat acreage has been cut 30 per cent from 78 million acres to 55 million acres, comparing 1953 with 1955. Cotton acreage has been reduced 32 per cent in the same period from 25 million to 17 million.

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(d) The United States Government has also developed methods of domestic disposal for some of these products which have helped to reduce the size of surpluses. Almost all of the funds available to the Government under Section 32 of the Agricultural Adjustment Act, which allots a portion of United States customs revenue to disposal purposes, were used for the purpose of increasing domestic consumption through school lunch programmes and the like. The amounts of such funds expended for purposes of domestic disposal in the fiscal year 1954 amounted to \$189 million as compared with \$13 million used for the purpose of export subsidies.

(e) The surplus problem, with which Section 22 controls have been associated, continues to be a serious problem although it seems more manageable now than it did. By and large, current production has been brought into balance with current demand. Stocks are heaviest in the case of wheat and cotton; but in the case of dairy products the situation is considered to be much better. The United States Government believes that it is moving in the right direction. Even though restrictions may have to be maintained for a time, the report shows definite progress toward a solution of this problem.

Dr. C.M. Isbister, Canada, said that while the Report represented a model to be followed, it was disturbing to consider that a large sector of trade continued to be subject to special restrictions. For this reason it was essential to keep the field under careful review and to continue to search for measures which would effectively reduce the need for such restrictions. He complimented the United States delegation on the fact that certain of their restrictions had already been removed, as in the field of coarse grains, and he hoped that further progress would continue to be made.

Mr. H.E. Kastoft, Denmark, expressed the appreciation of his Government on the scope of the Report and noted with gratification that it had been possible for the United States President to permit the controls over three commodity groups to expire. Turning to dairy products he noted, with disappointment, that the import quotas fixed for butter, cheese and dried milk products for 1955-56 are the same as the quotas for 1953-54 and that there had been no improvement over a period of three years. Referring to butter, Mr. Kastoft said that the butter quota, only 700,000 lbs for 1955-56, was very small and represented only one third of the commercial export sales for the surplus stocks. On the subject of prices, Mr. Kastoft said that Denmark had always maintained that the artificially high prices on dairy products were not in the long-term interests of American farmers as they definitely reduced the consumption and that - if this situation were prolonged over a long period - the average consumer might forget the virtues of butter in relation to other fats in which case a part of the market would be lost forever for both American and foreign farmers. Mr. Kastoft thought that the lower prices and reduced stocks might have led to an increase in the United States import quotas but this was not the case. He considered that the time had come for

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an increase in the quotas in general and for the suppression of import restrictions on the types of cheese which are not subject to price support. In conclusion, Mr. Kastoft said that while his Government appreciated the efforts which had been made to dispose of the surplus stocks in an orderly manner, they regretted that there was no indication as to whether and how the United States Government was going to tackle the basic problems of bringing consumption on the one hand and domestic production and imports on the other hand into balance, without support schemes and import restrictions.

Baron C.A. Bentinck, Kingdom of the Netherlands, said that the interest of his Government was concerned mainly with United States restrictions on imports of dairy products. The report showed, he considered, that United States domestic stocks of dairy products had fallen considerably. At the same time he noted that the existing import quotas for butter and for cheese form a very small percentage of total United States domestic consumption. These factors should enable the United States to increase import quotas considerably without any serious implication for the domestic situation. Baron Bentinck said that the report was not promising at all as to the steps which he thought could be taken in the near future with a view to a gradual relaxation or removal of the restrictions. He stressed that in solving the dollar problem the non-dollar countries need a progressive and stable import policy in the United States - a policy which aims at expanding trade by the elimination of quantitative restrictions and other barriers to trade.

Mr. G.D.L. White, New Zealand, said that his Government had been opposed to the granting of the waiver to the United States and that they regarded the United States agricultural surpluses as a serious threat to their trade and security. The basic cause of the problem was the artificial support system, which not only led to import restrictions but also had a depressing effect on world prices and on the economies of the countries concerned. It was the responsibility of the United States and of the Contracting Parties as a whole to see that the situation was remedied as soon as possible. In his Government's view the terms of the waiver did not put enough compulsion on the United States to secure an early elimination of the restrictions.

Mr. M.T. Notarangeli, Italy, stated that Italy's position was made clear at the time when the waiver was discussed, when the Italian delegation stressed that at least the number of products affected should be reduced and the duration of the waiver limited. Regarding the First Annual Report the Italian delegation noted with satisfaction the abolition of restrictions on certain products in which Italy was interested but regretted that no improvement affecting cheeses had been reported. The base years for fixing the import quota for cheeses did not, in his view, take account of the actual consumption in the United States and the accumulated needs of Italian exporters. He hoped that future Reports would be more comprehensive.

Mr. Warwick Smith, Australia, said that the dairy products situation seemed to be improving and if the current trend continued it would be possible to look forward to normal conditions of trade. On the other hand the same

thing could not be said of wheat and this was a matter that was relevant to the agenda item on Surplus Disposals introduced by Australia. Mr. Warwick Smith stressed that the waiver was one of the most important yet granted and emphasized the need for the most serious scrutiny at each annual review, of action taken under the waiver.

Mr. O.P. Machado, Brazil, while approving the contents of the United States Report, emphasized that the most important aspect of the question was the relationship between the waiver granted to the United States and the question of the disposal of surpluses. In the view of his Government these matters must be discussed as parts of the same problem.

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