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International Wheat Agreements



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INTRODUCTION

TO the general public, international wheat agreements seem to have been either coming or going for nearly two decades, but to those engaged in framing them it has been a continuous and progressive process. The historical record of the various stages which follows here in quotation marks should be read in that light. It is drawn practically word for word from the account given in the I.F.A.P. Monthly Bulletin, Vol. 1, No. 3, 1949. As the Secretary-General of I.F.A.P., Dr. Andrew Cairns, has been so long and persistently associated with international efforts at agreement, especially as Secretary first of the Wheat Advisory Committee and later of the International Wheat Council, this account should be well authenticated.

EARLIER INTERNATIONAL WHEAT CONFERENCES

'The first International Wheat Conference was held under the auspices of the International Institute of Agriculture in Rome in the spring of 1931. It failed because of the lack of preparation.

'The second International Wheat Conference was held in Canada House, London, in the spring of 1931. It failed because the U.S. Delegation announced that it would be unconstitutional for its Government to control exports and because the Delegation of the U.S.S.R. insisted on an export quota equal to its pre-war exports of about 165 million bushels per year.

'The third International Wheat Conference was held in Canada House in August 1933. It produced the first International Wheat Agreement which provided (a) export quotas for Argentina, Australia, Canada, and the U.S., together with an implied commitment to reduce wheat acreage by 15 per cent. and (b) the reduction of tariffs and other import restrictions by European countries when the Liverpool price of imported wheat rose to 63.02 gold cents per bushel. The Argentine over-shipped its 1933/34 export quota by about one million tons. The Liverpool price of imported wheat fell below 40 gold cents per bushel. In consequence, no barriers to imports of wheat were let down by the European countries. The attempts made at meetings held in 1934 in Rome, Budapest, Paris, and London, to make the 1933 Agreement effective failed. In January 1939 the Wheat Advisory Committee established a Preparatory Committee of ten countries to draft a comprehensive international agreement. The bumper world wheat crop of 1938 and the severe decline in world wheat prices stimulated the work of the Preparatory Committee. The basis of an agreement was reached just before Hitler's troops invaded Poland in September 1939.

'The fourth International Wheat Conference met in Washington from July

1941 to April 1942. This Conference included only the Governments of Argentina, Australia, Canada, the United Kingdom, and the United States. They approved in June 1942 a Memorandum of Agreement and established in Washington in August of that year the International Wheat Council. The 1942 Agreement accomplished its limited objectives: the establishment and administration of a post-war pool of relief wheat and the convening of a fully representative international wheat conference. The Government of the U.S.S.R. was the first country asked to reinforce the Council. A special invitation was extended to it in October 1944 but, despite several subsequent invitations, the U.S.S.R. did not accept. Within the next three years the Council was enlarged to include the governments of 28 countries.

The fifth International Wheat Conference was held in London from 18th March to 23rd April 1947. The International Wheat Council, established in Washington in 1942, presented as an annotated agenda for the London Conference a draft agreement providing for minimum and maximum prices of \$1.25 and \$1.55, export controls, and, as mild production controls by signatory importing countries, a choice of: importing specified quantities; or progressively adjusting the internal prices of home-grown and imported wheat to the c.i.f. equivalent of \$1.55 per bushel; or limiting domestic production of wheat to the levels prevailing in base periods to be determined by the Council (in which the importing countries had 50 per cent. of the votes).

Early in its proceedings the London Conference was informed that Argentina would not participate in the proposed agreement. The draft agreement prepared in Washington was thereupon scrapped and an entirely different type of agreement formulated. As the latter took the form of a multilateral purchase and sales contract, no attempt was made to include production control measures; export and import quotas were enforceable only at the minimum and maximum prices respectively, which were, unless otherwise agreed, set at \$1.40 and \$1.80 per bushel for 1947/48; \$1.30 and \$1.70 for 1948/49, and minima of \$1.20 and \$1.10 for 1949/50 and 1950/51. At its final session, held on 23rd April 1947, the United Kingdom Delegation announced:

"It is the prices themselves, Mr. President, with which the United Kingdom Delegation are unable to agree. We regard certain of these prices as excessive. . . .

The United Kingdom Delegation must place on record its feeling that the price scheme proposed in the Agreement in Article VI does not enable the price to come down to a reasonable figure sufficiently quickly."

The sixth International Wheat Conference (or, to be more precise, a Special Session of the International Wheat Council) was held in Washington from 28th January to 6th March 1948. Australia, Canada, and the U.S. as exporters and 33 importers signed the 1948 Agreement of five-years' duration commencing on 1st August 1948; similar in its multilateral contract form to the 1947 draft agreement but providing for a uniform maximum price of \$2.00 and a declining scale of minimum prices from \$1.50 to \$1.10 per bushel. By the deadline date of 1st July 1948 only 12 of the 36 signatory countries had ratified the Agreement. Primarily because of the failure of the U.S. Senate to ratify the Agreement, at a meeting of 32 of the signatory Governments, held in Washington on 6th-7th July 1948, the United Kingdom, Australia, Denmark, Ireland, and New Zealand

formally announced their withdrawal. With little confidence that anything practical would be heard from it, the meeting established a Preparatory Committee, consisting of the representatives of three exporting and six importing countries, "to keep under review the prospects of concluding a new international wheat agreement". Following President Truman's renewed declaration, at the FAO's Annual Conference in November 1948, of confidence in the value of a wheat agreement, the Preparatory Committee met on 3rd December and recommended that the U.S. Government convene in Washington a new international wheat conference.

THE 1949 CONFERENCE

'The seventh International Wheat Conference met in Washington from 26th January to 23rd March 1949. Despite the rather pessimistic atmosphere in which it opened (the conflicting appraisals of the prospective outlook for wheat and the altered bargaining position of the importing and exporting countries), the Conference was greatly encouraged by the attendance of delegations from both the Argentine and the U.S.S.R. The Head of the U.S.S.R. Delegation, S. A. Borisov, the Deputy Minister of Foreign Trade, enjoyed throughout the Conference the position of one of its most popular and most constructive members. The Argentine Delegation declared on 27th January that its Government was unlikely to sign the Agreement, but many delegations (not without good reasons) continued to hope that the Argentine Government would reverse its position. These hopes were shattered by a declaration made by the Argentine Delegation on 18th February that its Government's position remained unaltered.

'Until it was announced on 18th March that the U.S.S.R. Delegation could not accept an export share of less than 75 million bushels (they had previously requested 20 per cent. of the total guaranteed purchases of the importing countries) and that the other exporting countries could not agree to allow Russia more than 50 million bushels, all importing and exporting countries warmly welcomed the prospect of the U.S.S.R. being a party to the Agreement. After the failure of the other exporting countries and the U.S.S.R. to reach agreement was announced, the importing countries met as a group and authorized their spokesman to invite the U.S.S.R. Delegation to review their position in the light of the importing countries being willing to increase their guaranteed quantities by another 10 million bushels to increase the U.S.S.R. export quota from 50 to 60 million bushels. The Delegation of the U.S.S.R. were unable to accept the importers' proposal and it then became clear that if there was to be an agreement the major exporters would, as in the case of the 1948 Agreement, be Australia, Canada, and the United States. . . .

'By the closing date for signature of 15th April, forty-one of the countries which took part in the completion of the negotiations had signed the Agreement, the sole exception being Paraguay. Under the terms of the Agreement the major countries have until 1st July to ratify the Agreement. President Truman sent the Agreement to the Senate of the United States on 19th April. Should, as is confidently expected on all sides, the Agreement be ratified by that date by the principal exporting and importing countries, the new Wheat Council will meet

in Washington early in July. Among the decisions to be taken at that meeting are the appointment of a Chairman and a Secretary and the choice of the seat of the Council. A straw vote taken at the Washington Conference indicated a marked preponderance of opinion in favour of London as the permanent seat, but the vote was quite inconclusive with reference to the temporary site.

CONTROVERSIAL ISSUES

Production policies

'The U.S. Delegation moved the following amendment to the text of the 1948 Agreement:

"The participating countries agree to modify domestic programs which may tend to aggravate the anticipated surplus in wheat and agree, as necessary, to adopt programs of internal domestic adjustment which they believe adequate to ensure as much progress as possible within the duration of the Agreement toward the avoidance of such surpluses."

'The Canadian Delegation supported the amendment. The Australian Delegation concurred, but expressed the fear that the Canadian and Australian blessing would be its only support, and added that it had long been apparent that the importing countries were pursuing agricultural policies inimical to the interests of the wheat exporting countries but there appeared to be little if anything that could be done about it. None of the other delegations at the Conference gave any support to the U.S. proposal and many of them strongly opposed it. Some of them stated that it was pointless to refer the amendment back home.

Sales at special prices

'The 1948 Wheat Agreement contained an Article dealing with restrictions on possible sales of wheat at special prices. This Article first appeared in a document prepared by the International Wheat Council in the winter of 1946/47 when the international wheat agreement then proposed embraced controls of both exports and production. Its purpose then was to accommodate the introduction of one of the principal recommendations of the FAO Preparatory Commission, namely the sale of produce in excess of commercial demand at special prices for nutritional programs. By special prices was meant prices lower than those prescribed in the proposed wheat agreement (than \$1.25 minimum and \$1.55 maximum). Neither the London Wheat Conference of 1947 nor the Washington Wheat Conference of 1948 bothered to remove this Article despite the fact that the proposed agreement had been completely reshaped by the 1947 Conference. When at the 1949 Conference the Delegation of the U.S.S.R. urged the deletion of this Article its retention was strongly supported by the Delegations of China, India, and Mexico. Later, however, the Indian Delegation recognized that there was nothing in the text of either the 1948 or the 1949 Wheat Agreement which would prevent exporting countries selling wheat at any price they liked, however low, so long as they were prepared to sell their guaranteed quantities at the maximum price if requested to do so by the importing countries. The Indian Delegation, in withdrawing its opposition to the deletion of the Article, expressed the hope that exporting countries would give serious

consideration, as an alternative to any restrictions on production, to putting into practical effect the special price recommendations of the Bruce Report. The Article on sales at special prices was then deleted by unanimous consent.

Stocks of wheat

'The Canadian Delegation proposed at the 1949 Wheat Conference the deletion of the 1948 Article on stocks. The U.S. Delegation, and other delegates which supported the Canadian point of view, did not believe that the so-called price stabilization reserves (amounting in practice to less than 50 million bushels) could possibly accomplish any appreciable measure of price stabilization. The representative of FAO recalled the resolution passed by the 1948 FAO Conference in support of the maintenance of larger stocks and eventually a modified and highly generalized Article, proposed by the United Kingdom Delegation, was incorporated in the 1949 Agreement.'

It is interesting to note that this account in the I.F.A.P. Bulletin contains no reference to any controversy over prices in the negotiations either for the 1948 or the 1949 Agreement. To those dependent for their information on the newspapers, especially in Britain, it appeared that the ultimate failure in 1948 and the protracted delay in 1949 were due to disagreement on the price limits.

The various agreements are given in full as an Appendix in this issue so that readers may make detailed comparisons for themselves. Although circumstances changed radically for wheat growing between 1933 and the present, the fear of excessive surpluses is the primary motive. In 1933 the surpluses and their effects on producers all over the world were great and obvious. Since 1945 surplus of wheat has not embarrassed anyone, but there is perturbation about the future. It is not merely a complex inherited from the early thirties, or from recollections of what happened when the boom of the First World War collapsed. It has its basis in an understanding of the normal vicissitudes of wheat production, and the desirability from the producers' point of view that their labours should be protected against becoming so tragically unremunerative as they have been on occasions in the past.

Mention of the consumers is not forgotten in any of the texts, and it is fairly certain that no world agreement between *governments* could be openly unfair to consumers in general, but it is equally certain that consumers are not the primary concern of the wheat agreements. The participation of importing countries as essential partners with balanced power is sometimes quoted as evidence that it is a more or less equal partnership of producers and consumers. But, of course, importing countries do not necessarily represent an exclusive consumers' interest.

Most of them produce more wheat than they import, and, even where they do not, as in the outstanding case of the U.K., they are generally committed to protecting their wheat producers against low prices.

The dread of a recurrence of disastrous wheat surpluses tends to be pooh-poohed in some quarters, largely because of two beliefs which emerged full-fledged from the war. The one is the belief in the policy of full employment; the other is what may be called the Hot Springs thesis. In the case of the former, the theory is that the worst phases of depression in primary products were due to the drop in consumption, consequent on large-scale, persistent unemployment. Contrariwise, if full employment is maintained, the prospect of burdensome surpluses of a vital necessity like wheat is automatically obviated. The promoters of the international stabilizing scheme for wheat would, no doubt, reply that the desire, and even the deliberate policy, of full employment have yet to be proved to be full employment itself, and that they themselves are contributing to make a reality of the policy by stabilizing the conditions of the world wheat market.

The Hot Springs thesis is the theory—or statistical abstraction, as some would prefer to call it—that the world's total supply of nutritional units divided by the world's total number of mouths gives an amount per mouth quite inadequate to nourish the body to which the mouth belongs. Furthermore, that the world's total number of mouths is increasing far more rapidly than the world's total supply of nutritional units. And, therefore, for some considerable time to come, there is no prospect of having too much food. The reply might be that the world's markets are not governed by statistical averages on a global scale but by consumers who are able as well as willing to buy the produce. It might also be said that stable cereal prices, together with the provision such as in the 1948 Agreement for Sales for Nutritional Programmes, may themselves contribute most to a world nutrition policy. The actual article dealing with this, as indicated above, has been deleted in the 1949 Agreement.

Neither a full employment policy nor the Hot Springs resolution is adequate insurance against the contingency of market surpluses arising, and particularly in supplies available for export. The danger may not be present or so imminent and the event if it arose might not be so disastrous to producers as in the early 30's, but the promoters of an international wheat agreement can claim that in principle there is the same case for insurance against the bottom falling out of the market and that that insurance has to be on a world scale. In other

words, if the case was valid before the war, it is as valid, though not so urgent, now.

That is not a declaration that their case is valid. It is a non-committal statement. The point is that circumstances have not changed the basic justification for the policy. Likewise, it has not changed the basis of the ultimate opposition to it. It is significant that the opposition which is expressed in the sample of opinions included here, whether the forceful opposition of Dr. Burgess and Major Strange or the detached economic analysis of Professor Jørgen Pedersen, is based on an inability to accept the long-term, fundamental principle on which the international wheat agreements are based, namely that an agreed treaty plan of this kind between governments—perhaps even between large-scale groups of producers—is a better insurance of real stability for producers and consumers than the free competitive world trade of private enterprise.