

First Year of the International Wheat Agreement¹

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Early proponents of the International Wheat Agreement are pointing with pride to the first year's achievements. July 31, 1950, marked the end of that year which saw over one-half of the total world trade in wheat and flour move under the Agreement.

There were difficulties to be overcome but they appear to have been met, at least for the time being. For instance, about half of the member countries were affected by currency devaluation. This meant an automatic increase in prices for these countries, since their money had lower purchasing power in international trade. However, the fact that they could buy Agreement wheat at a lower price than wheat on the world market helped these countries directly in meeting the devaluation problem. Another temporary set-back occurred in that four countries failed to sign or ratify the Agreement. On the other hand, six new countries joined the venture during the year.³

Adjustments in Purchases and Sales

A series of adjustments in purchases and sales were made within the first year of operations. These were made to meet conditions created by the failure of countries to sign or ratify the Agreement and by the entry of new members to the family. The net result of these adjustments was an increase of 69 million bushels to the original 456 million bushels involved and a further increase in 1950-51, to a total of 536 million bushels. The United States quota was raised from 168 million to 236 million bushels in 1949-50, accounted for mainly by the accession of Western Germany.

Approximately 90 per cent of the adjusted quotas were used by the importing nations. The principal deficiencies were recorded by Italy and Brazil, although some late-comers were unable to use up their allotments. This high rate of compliance on the part of importing nations was stimulated of course by the fact that purchases outside the Agreement had to be made at higher prices.

Costs and Benefits to the United States

The Office of Foreign Agricultural Relations, U. S. Department of Agriculture, estimates the Commodity Credit Corporation paid an average of 54 cents per bushel on Agreement sales to make up

¹For a discussion of the underlying issues prior to the widespread acceptance of the Agreement see Kristjanson, Baldur H., *The International Wheat Agreement*, this bulletin, March-April, 1949, Vol. XI, No. 4, pp. 111-116. Copies of this reprint (Reprint No. 87) are available upon request.

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³Uruguay, an exporter, did not ratify the Agreement. Paraguay, China, and Colombia were the other three importers who did not participate. The six additional countries which have become members or have been approved for membership include Haiti, Costa Rica, Western Germany, Indonesia, Spain, and Honduras.

the difference between the domestic price and the Wheat Agreement price.¹ These payments ranged from a low of 13 cents per bushel to a high of 69 cents.² These deficits occurred at maximum prices permitted by the Agreement. If the U. S. had followed the policy of accepting the minimum prices provided (in which case the importing countries could have been called upon to take their allotment), a further payment by the C. C. C. of 30 cents per bushel would have been required.³

On the credit side of the ledger Secretary Brannan points out that "our wheat and flour exports have been maintained at a level higher than would have been possible without the Agreement".⁴ Certainly the results of the first year's operations are highly satisfactory to those who seek to bring a greater degree of orderliness into the international wheat market through multilateral agreements.⁵ This is not to deny the fact, however, that others would still prefer to see the previous system re-established on grounds that unrestrained competition is more effective. The argument rests upon two assumptions primarily: (1) that it is desirable to keep Government out of market operations wherever possible on the grounds that private efforts are more efficient, and (2) that the Agreement price is too low, resulting in substantial subsidies to foreign consumers.

Unfortunately, the issues are not in fact clear-cut. International trade policies are destined to involve the innumerable facets of international politics for an indefinite number of years. Not the least of these considerations is the condition of the international stomach. For this reason, conclusive analyses are impossible, for they involve *estimates of future conditions in the absence of a given program* as well as the effectiveness of any particular measure undertaken. The best that can be expected is that our policies will be based upon informed opinion—the majority of such opinion being taken as correct in the short run. The International Wheat Agreement, if it stands the test of history yet unwritten, will stand because it served the broader needs of mankind rather than the needs of the marketplace.

¹See the Foreign Agriculture Circular of the Office of Foreign Agricultural Relations, U. S. D. A., October 4, 1950, for full details of the material presented here.

²The Commodity Credit Corporation supplied 75.1 million bushels of Agreement wheat. Commercial organizations provided 87.4 million bushels, applying to the C. C. C. for payment of 54 cents per bushel on these exports.

³It is impossible to determine precisely what the average price for U. S. exports would have been in the absence of the International Wheat Agreement. It is of interest to note, however, that U. S. exports of wheat outside the Agreement exceeded 100 million bushels. Part of this went to Germany, now a party to the Agreement.

⁴*Ibid.*

⁵The outlook for U. S. wheat supplies in the coming year (1951-52) is reported in the *Agricultural Outlook Digest*, Bureau of Agricultural Economics, October, 1950, to be as follows: If the acreage seeded to wheat equals the national allotment of 72.8 million acres and yields are average, the 1951 crop would be 1,150 million bushels. This year's output was 1,010 million. Since stocks next July are expected to be about 450 million, the total supply for 1951-52 would be 1,600 million bushels. With domestic consumption estimated at 730 million bushels, U. S. supplies probably would be adequate in an emergency.