

No. 7451

**UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
and
AUSTRALIA**

Exchange of letters (with annex) constituting an agreement regarding the changes which the Government of the United Kingdom propose to introduce in their production and trade policies relating to cereals. London, 15 April 1964

Official text: English.

Registered by the United Kingdom of Great Britain and Northern Ireland on 4 November 1964.

**ROYAUME-UNI DE GRANDE-BRETAGNE
ET D'IRLANDE DU NORD
et
AUSTRALIE**

Échange de lettres (avec annexe) constituant un accord relatif aux changements que le Gouvernement du Royaume-Uni envisage d'apporter à sa politique en matière de production et de commerce de céréales. Londres, 15 avril 1964

Texte officiel anglais.

Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 4 novembre 1964.

No. 7451. EXCHANGE OF LETTERS CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA REGARDING THE CHANGES WHICH THE GOVERNMENT OF THE UNITED KINGDOM PROPOSE TO INTRODUCE IN THEIR PRODUCTION AND TRADE POLICIES RELATING TO CEREALS. LONDON, 15 APRIL 1964

I

*The Parliamentary Under-Secretary of State for Commonwealth Relations
to the High Commissioner for the Commonwealth of Australia*

COMMONWEALTH RELATIONS OFFICE

April 15, 1964

My dear High Commissioner,

I should like to refer to previous exchanges and discussions between representatives of the Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the Government of the United Kingdom") and of the Government of the Commonwealth of Australia (hereinafter referred to as "the Government of Australia") regarding the changes which the Government of the United Kingdom propose to introduce in their production and trade policies relating to cereals. In framing their proposals the Government of the United Kingdom have had in mind their responsibility for maintaining conditions under which a stable and efficient agricultural industry in the United Kingdom can develop its prosperity and also their responsibility as one of the major importers of cereals in the world towards their overseas cereals suppliers.

2. The Government of the United Kingdom have also taken into account that they, and the Governments of other countries who are major importers and exporters of cereals, are at present taking part in discussions in the Cereals Group of the General Agreement on Tariffs and Trade² convened for the negotiation of appropriate international arrangements for cereals under the terms of the resolution of Ministers at the Ministerial Meeting of the General Agreement on Tariffs and Trade, 21st May, 1963.³ It was not the desire or intention of the Government of the United Kingdom to put

¹ Came into force on 15 April 1964 by the exchange of the said letters.

² See footnote 2, p. 4 of this volume.

³ See footnote 3, p. 4 of this volume.

forward proposals which might in any way hamper that work, but rather to introduce arrangements so designed as to further the main objectives which both the Government of the United Kingdom and the Government of Australia desire to achieve.

3. Our two Governments are agreed that these main objectives are that the world market for cereals should be improved through the establishment of a better and more economic balance between world supplies and commercial demand, and that to this end there should be the provision of acceptable conditions of access into world markets for cereals in the furtherance of a significant development and expansion of world trade in cereals. We are also agreed on the importance of the assurance of supplies of cereals, cereal products and by-products at equitable and stable prices ; and of the creation of greater stability in the levels of international prices for them. These objectives should be sought in such ways as would take into account the interests both of producers and consumers and of importing and exporting countries.

4. Pending the conclusion of long-term international cereals arrangements, the Government of the United Kingdom have declared their intention of introducing adaptations into their existing cereals policy with the objectives of promoting greater stability in the United Kingdom cereals market, and of maintaining a fair and reasonable balance between home production and imports. This balance would be broadly based upon the present supplies to the United Kingdom market from domestic production on the one hand and cereals imports on the other, and as regards the future growth of the United Kingdom market would provide the opportunity for both domestic producers and overseas suppliers to share in this in a fair and reasonable way. The intentions of the Government of the United Kingdom with respect to the balance between domestic production and imports and the domestic guarantee arrangements for the year 1964-65 are set forth in paragraph 6 below. The balance for subsequent years will be reconsidered in the light of supply and marketing conditions, including the relative efficiency of suppliers, and changes therein, and to this end the Government of the United Kingdom shall consult with the Government of Australia and the Governments of other principal co-operating countries in accordance with the review procedure in paragraph 10.

5. The measures which the Government of the United Kingdom intend to introduce for securing the objectives in paragraph 4 above are : first, to restrain financial assistance so as to discourage the increase of domestic cereals production above a level consistent with these objectives, and second to operate, in co-operation with their principal overseas suppliers, a system of minimum import prices for the main cereals, cereal products, and by-products.

6. The Government of the United Kingdom have decided that any necessary restraint of financial assistance should be applied through the effective reduction of

guaranteed prices by means of the price mechanisms described in the United Kingdom White Paper on the Annual Review for 1964-65. These mechanisms would in the case of wheat start to operate when production exceeded 3.2 million tons and would operate fully when production exceeded 3.3 million tons and in the case of barley would start to operate when production exceeded 6.3 million tons and would operate fully when production exceeded 6.5 million tons. The range of wheat and barley production aimed at would therefore be from 9.5 to 9.8 million tons. Other cereals production, which is declining, is at present about 1.5 million tons. Total consumption of cereals (including wheat equivalent of flour) is expected to rise to 20.5 million tons in 1964-65 and to continue increasing thereafter. In accordance with the objectives in paragraph 4 above, the annual volume of imports of cereals (including wheat equivalent of flour) should, on average taking one year with another, increase above the present level of about 9 million tons as the United Kingdom market expands. On the basis of the above estimate of consumption, the volume of imports of cereals (including wheat equivalent of flour) in 1964-65 would, if domestic production did not exceed the ranges for wheat and barley stated above, be about 9.2 to 9.5 million tons. Changes in the above data shall be considered each year under the review procedure in paragraph 10 with a view to securing a fair and reasonable balance between home production and imports. It is the intention of the Government of the United Kingdom that changes in their domestic guarantee arrangements should be made as necessary so that these arrangements are effective for the purposes described in paragraph 4 above.

7. The Government of the United Kingdom, after consultation with the Government of Australia and other co-operating Governments, have advised the Government of Australia of the cereals, cereal products and by-products for which, subject to the approval of Parliament, it is proposed initially to specify minimum import prices, and these are set out in the attached agreed Annex.¹ As regards the minimum import prices to be applied to the initial range of products the Government of the United Kingdom have consulted the Government of Australia and other co-operating Governments and it is understood that if the prices prescribed are as agreed, they will be acceptable to the Government of Australia. Any subsequent changes shall be a matter for joint consultation between the Government of the United Kingdom and the principal co-operating Governments, and as regards any changes which affect the particular interests of the Government of Australia, the Government of the United Kingdom shall seek the agreement of the Government of Australia. In addition, the Government of the United Kingdom shall not make any significant change in the general level of minimum import prices except after agreement with the Government of Australia and other principal co-operating Governments.

¹ See p. 34 of this volume.