

EVALUATION OF
THE INTERNATIONAL WHEAT AGREEMENT OF 1949

By

Reinhard Langenegger

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THESIS AND ABSTRACT APPROVED:

Rebecca F. Loman
Thesis Adviser

Howard S. Whitely
Faculty Representative

W. C. W. Zulauf
Dean of the Graduate School

278071

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P R E F A C E

This study was made possible by the Institution of International Student Exchange which enabled me to spend four semesters at this College. I have been able, during this time, not only to acquire some additional academic knowledge, but to experience the American way of life and the American way of thinking as a part of my general education. My firm conviction of the need for mutual international understanding and cooperation has been the basis for the interest in the underlying thesis topic.

To the entire Department of Agricultural Economics I wish to express my appreciation for the opportunity given to me in following the class work and the thesis research. For valuable suggestions and assistance in preparing this thesis I am greatly indebted to Dr. A. A. Larson, Professor in Agricultural Economics, and to Dr. E. Trenton, Associate Professor in Economics.

I. Introduction.

The present world is characterized by a number of important features affecting the economic activities of the majority of countries. The war left many countries devastated, productive equipment destroyed, food and raw material supplies depleted.

Agricultural production in war-stricken countries recovered relatively slowly, primarily due to its inherent inflexibility and slow adjustment ability. Industrial output was ahead of agricultural production in its recovery, thus there were world-wide shortages, particularly of agricultural products.

International trade faced new problems. The geographical shifts in the main exporting countries were paralleled by monetary distortions, such as the dollar-shortage. Despite the great need for reconstruction capital private foreign investment remained small. The balances of payment remained in disequilibrium, multilateral trade largely disappeared. Quantitative trade restrictions became more common than ever before and monetary and export policies were aimed at acquiring necessary funds for basic imports.

These distorted post-war conditions called for international cooperation in the interest of a fast recovery and return to some form of normal situation. An international machinery created immediately following the war was designed to introduce and to speed up developments in this direction.

New international institutions, such as the International Monetary Fund (IMF), Food and Agriculture Organization of the United Nations (FAO), the International Bank of Reconstruction and Development (IBRD), the International Trade Organization (ITO), were created to help in the expansion and stabilization of world economic activity. In this framework of international cooperation the recent trends of international commodity agreements have to be

placed.

The International Wheat Agreement (IWA), concluded in Spring of 1949, and placed into effect in August 1949, is a part of these post-war efforts to bring expansion as well as stability into the international trade of wheat. Only one other wheat agreement had previously been effective for a short period in 1933. The basic principles of recent commodity agreements were originated in the World Monetary and Economic Conference in London in 1933. The economic difficulties involved in the production and distribution of agricultural products have since the depression of the thirties called for national and international measures to correct these maladjustments.

In the case of wheat, production and prices have been controlled to some degree for about two decades by the governments of all major wheat producing and exporting countries. Today the basic problem of adjusting output to utilization is still unsolved. The great accumulation of stocks during the war period followed by a world-wide shortage during about four post-war years definitely left a door open to steps beyond national measures. The two International Wheat Agreements negotiated in 1948 and 1949 and the preceding discussions in different international organizations on general principles of controlled international trade are a reflection of the fact that there has been and still is a need for international economic cooperation. It remains to be seen, whether it will continue to be in forms such as the present IWA and in the field of basic agricultural commodities such as wheat. The experience under the present agreement will clear up some of the theoretical controversies actually taking place. The choice of economic policy, however - we should emphasize here - does not seem to lie between absolutely free trade and some form of international agreements, but between bilateral and multilateral agreements.

The purpose of this study is to point out the principal developments leading to the present IWA. Then are stated the basic objectives and methods by which the Agreement operates in order to understand the actual implications on the world wheat production and trade. Finally, a detailed analysis of the first year's operation of the Agreement is presented as an evaluation of the Agreement's successfulness and an explanation of its shortcomings in terms of the prevailing general economic situation.

Chapter II is devoted to a statistical analysis of the last fifty years and especially the recent period of developments in production, exports and prices of wheat. Chapter III outlines the major provisions of the IWA of 1949. These provisions are then compared with the Agreement of 1933 and some of the discussions leading to the actual modifications are pointed out in detail. Chapter IV deals with the expected results of the Agreement and its repercussions on world trade in general. The results of the first year of operation under the Agreement are analyzed. Discrepancies between actual purchases and guaranteed quantities are explained. Finally, an attempt is made to evaluate the effectiveness of the Agreement with regard to its principal objectives.

This study does not pretend to give a definite answer to the question: Is this Agreement a success? It refrains even from any specific recommendation for future agreements since the period of its actual operation is too short to provide conclusive evidence for this purpose. However, it hopes to show the analytical approach necessary to present the pertinent facts for future revision.

II. International Wheat Economics.

1. Structure and development of world wheat production.

Ever since the technological revolution of the late nineteenth century and its application to agriculture, together with the opening of the vast arid areas in the different continents, important developments in the world wheat production have occurred.

(a). Long-run trends.

While the wheat area in the four major exporting countries (United States, Canada, Argentina, Australia) since the beginning of this century roughly doubled (from an average of 27.5 million hectares in 1899-1903 to an average of 50 million hectares in 1945-49)¹, the production, during the same period, increased more than twice. From the total in the four major exporting countries of 24.1 million metric tons average during 1899-1903 the output increased to a five year average of 53.3 million metric tons in 1945-49 (Appendix Table I). The European wheat output, on the other hand did not increase significantly, except during the decade before World War II. The USSR and the Danubian countries decreased in output after the second World War compared to prewar (Table 1). Yet, the USSR expanded her production considerably between the beginning of this century and the prewar period.

¹ Food and Agriculture Organization, Commodity Series, Bulletin No. 18: Grain, Washington, May 1950, p. 57.

Table 1 : Wheat Production in USSR and Danubian Countries,
5-year averages.

	USSR	Danubian Countries
	million	metric tons
1909/13	21	9.1
1934/38	31	9.6
1945/49	24	6.3

Source: Food and Agriculture Organization, Commodity Series, Bulletin No. 18 : Grain, Washington, May 1950, p. 58.

The major expansion of production in three of the exporting countries, Canada, Argentina and Australia, occurred before the depression of the thirties, that of the United States more recently (Appendix Table I). This development may partly account for the fact that before 1930 there were no international wheat problems of great difficulty.

In order to investigate the degree of variation of production for each of the four major exporting countries and Europe an index based on a series of relatively normal years (1935-39) is used. The production indices, in Appendix Table III demonstrate the empirically expected fact that the greater the production area the more consistent is the development of output over a long period of years and the less violent are its relative changes (compare the production indices of Europe as a whole and of Australia).

The historical review of the grain situation given in one of the FAO commodity studies² divides the past half century in five

² Food and Agriculture Organization, Commodity Series, Bulletin No. 18: Grain, Washington, May 1950, p. 22.

general periods with regard to grain. The period from 1900-1914 was one of generally "expanding production associated with increasing consumption".³ The first World War and its postwar years changed the world pattern of grain production with declines in European domestic output. The third period, the decade of the nineteen-twenties, brought about a "sharp expansion in North American grain cultivation and Australia and Argentina also increased production".⁴ During the period of the thirties the "problem of surplus supplies had begun to arise European wheat production had recovered to its prewar level while expanded production elsewhere was being maintained".⁵

The main long-run changes during this past half century consisted of wheat production expansion in the low-cost producing areas of the world, North America, South America and Australia, due primarily to technological progress, and more recently to domestic production and price support policies.

✓ (b). Recent development.

World War II caused fundamental changes with the result that North American production "increased sharply during the war and early post-war years production in Argentina and Australia declined" due to different natural and policy factors.⁶ "In Europe and USSR production was seriously reduced by some of

³ Ibid., p. 22.

⁴ Ibid., p. 23.

⁵ Ibid., p. 23.

⁶ Ibid., p. 24.

these factors and by war operations".⁷

As Appendix Table IIa indicates the wheat output after World War II was increased mainly in the United States. Despite this fact there was a critical world wheat shortage during the few years immediately following the war, Europe's output in 1947 being only 56 percent of the average of 1934-38. This shortage was, under the conditions of world production shifts, accentuated by the dollar shortage as the major supplies originated then from dollar areas.

2. Carry-overs, stocks and exportable supplies.

In connection with the international efforts to meet the serious wheat shortage relatively accurate and comparable data on stocks and carry-overs are available. This was not the case before 1938 and the concept of so-called "surpluses" was at that time a vague one rather than defined in statistical terms.

The world wheat shortage following World War II is illustrated by the extremely low carry-overs which amounted in 1946 to 75 percent and in 1947 to 57 percent of the prewar average in the four principal exporting countries (source in Appendix Table IV). This was not only due to a small production in the wheat importing areas and therefore an increased demand on their part, but also due to shorter crops in the exporting countries themselves during those years. Thus, the total supplies at the beginning of the season were below prewar average in Australia, Argentina and Canada, and in the United States they were the lowest since 1941 (Appendix Table IV).

⁷ Ibid., p. 24.

The supplies available for export and carry-over during the immediate postwar years (carry-over from preceding season plus new crop minus domestic disappearance) in the different exporting countries were even smaller than in the prewar decade in Canada, Australia and Argentina. According to Appendix Table V only the exportable supplies of the United States in the postwar years exceeded the average of the prewar decade. The result of this was that practically the United States supplied the major part of the postwar recovery from the world wheat shortage. This becomes even more evident in the discussion about world wheat trade and its changes in the postwar period.

With regard to carry-overs the question arises what can be considered as normal or, in turn, as a "surplus". The concept of surplus defined as the supply of a commodity above those quantities which can be disposed of at profitable prices is generally thought of as being based on a deficit in effective import demand. But the surplus problem seems more involved. Internally surpluses are a result of structural expansion of production beyond the normal requirements. Externally they grow out of international price relationships reflecting directly the import demand. Surpluses on the basis of crop variations are of a short-term, structural surpluses rather of a long-run nature. In evaluating the amounts of wheat stocks it is very difficult to distinguish surplus stocks of a temporary nature due to crop variations from those of long-run and structural significance. This has to be kept in mind when dealing with the need for a commodity agreement.

3. World trade.

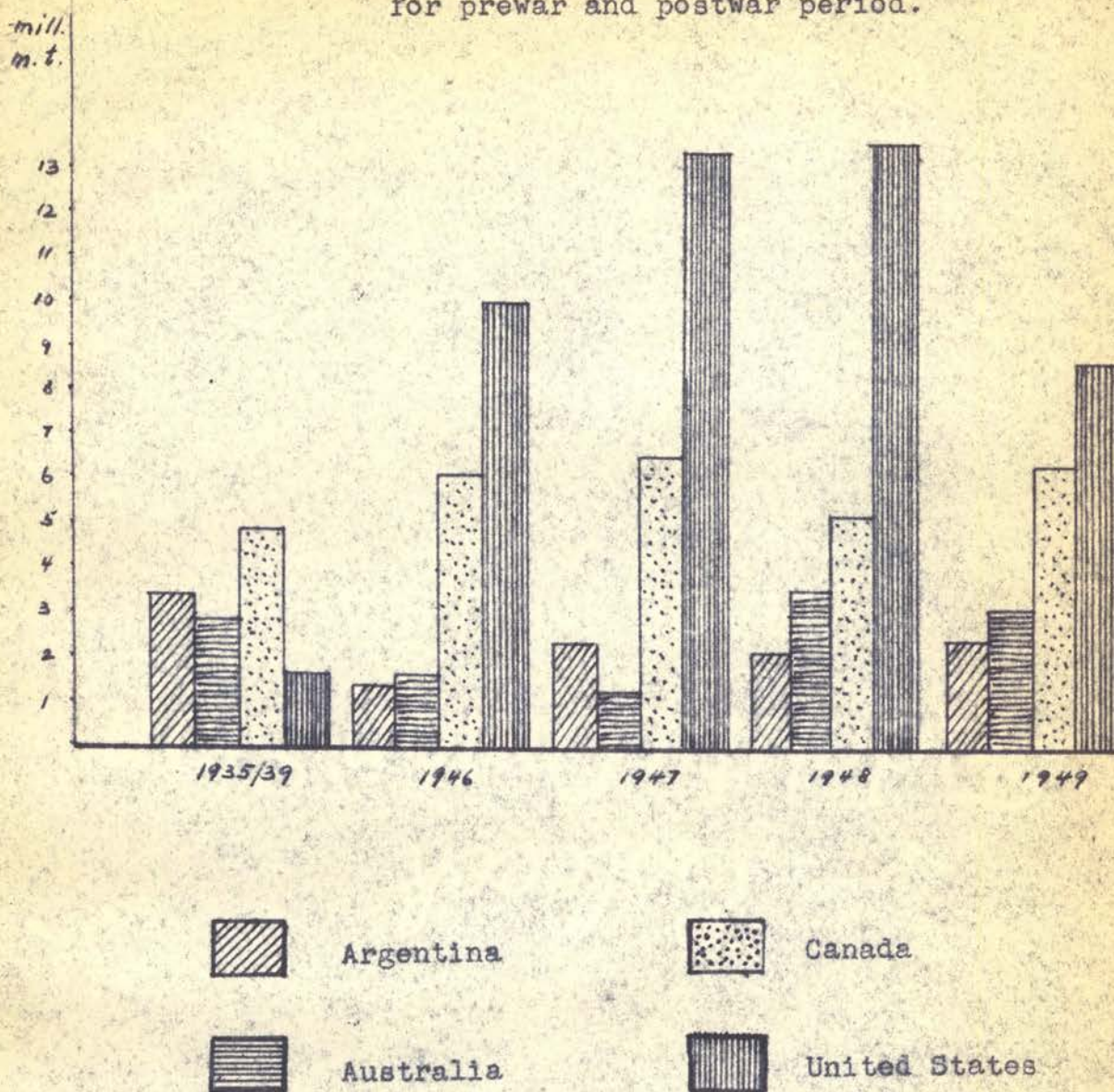
World wheat trade during the first half of this century showed a tendency of rendering importing countries more dependent on fewer supplying

countries. The increasing availability of cheap overseas wheat, however, was running against the domestic production policies in a number of importing countries in Europe especially during the depression of the thirties. Thus, quantitative restrictions through import control and tariffs were introduced and became even a subject of permanent legislation. At the same time, price supports were started in the United States through the Agricultural Adjustment Act. This domestic governmental interference on both sides was carried through the war providing the different countries with a basic machinery to attack the serious food crisis after the war. Thus the international operations of the Emergency Food Committee of the FAO were facilitated by the already existing national control systems. The problem of the new international agencies consisted then in combining the interests of the different governments. —

In the development of world wheat trade in the last three decades the first outstanding fact is its year-to-year fluctuations (Appendix Table VI). Without analyzing the underlying causes in detail, two factors seem to be mainly responsible for it: fluctuations in output in exporting as well as importing countries, and governmental interference. Secondly, the pattern of wheat trade is characterized by important changes with regard to sources of imports and destination of exported wheat.

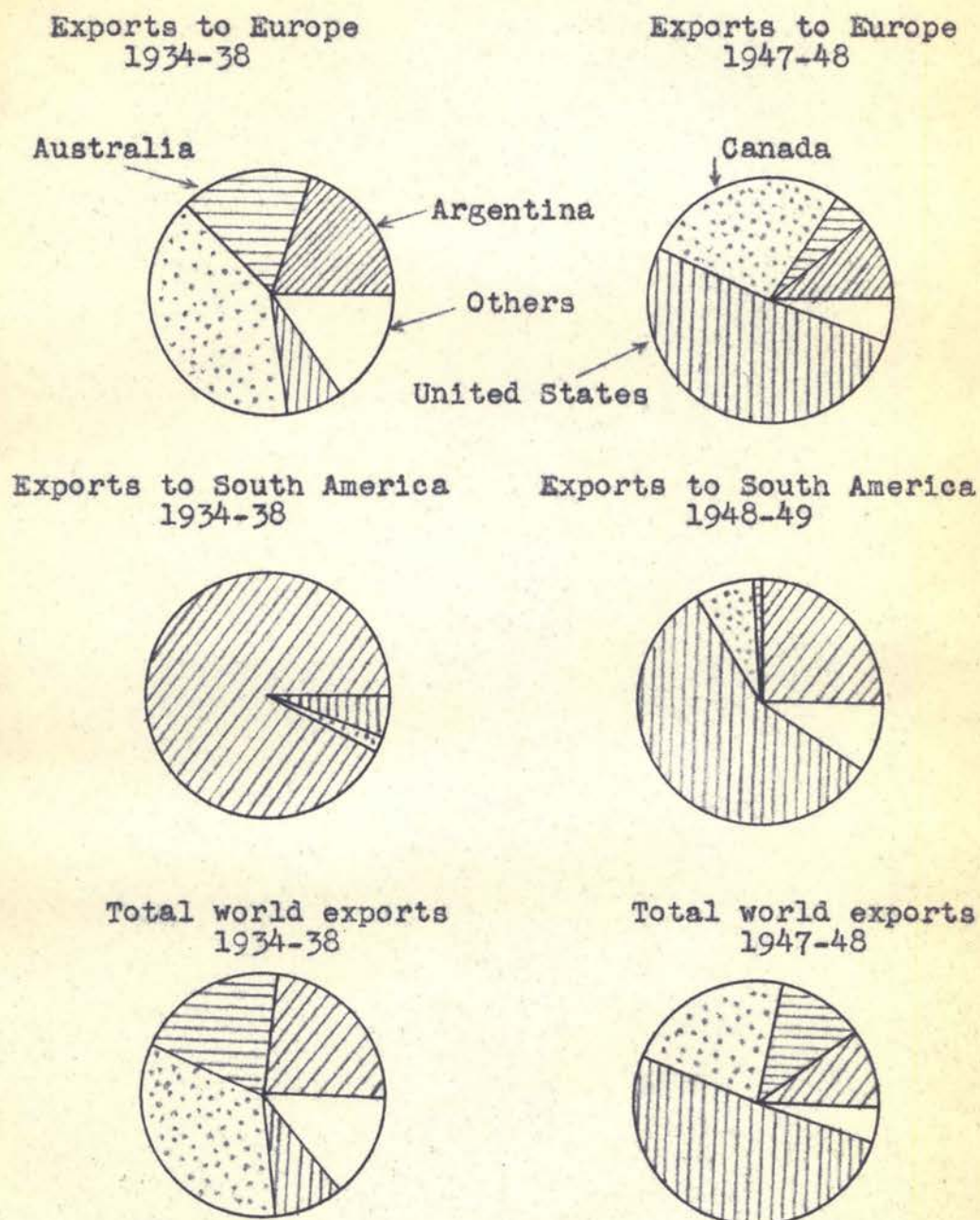
Chart 2 points to the fact that during the prewar period 1934-38 Canada and Argentina were the main wheat suppliers of Europe. After the war, however, more than half of Europe's imports came from the United States. Likewise exports to Asia originated before World War II primarily in Australia, in the postwar period in United States (Appendix Table VIIb). Exports to South-American countries from Argentina were, at least temporarily, replaced by supplies from the United States. This was due to a

Chart 1 : Total exports of the four major exporting countries, in mill. m.t., for prewar and postwar period.



Source : FAO, Commodity Series, Bulletin No. 18 :
" GRAIN ". Washington, May 1950, p. 97.

Chart 2 : Shifts in exports of wheat by source and destination, in percent of total world trade, average 1934-38 compared to annual 1947-48 and 1948-49.



Source : Appendix Table VIIb.

shorter crop in Argentina in 1948 (Appendix Table IIa) and was not of a permanent nature. This is indicated by the fact that in 1948-49 25 percent of the South-American imports were Argentine, 57 percent United States wheat, while in 1949-50 Argentina supplied again 70 percent, United States only 17 percent of the total South-American wheat import requirements (Appendix Table VIIb). Also in the total world trade the United States exports became preponderant after the war, and replaced Canada in its leading position. The 1949-50 crop year indicates a relative decline of United States wheat exports and a relative increase of the exports from the three other major exporting countries.

In connection with the International Wheat Agreement it is also important to note that since the end of the war the dollar area supplied about three-fourths of the total world wheat imports. During the crop year 1949-50 about 66 percent of total world exports originated in North-America, and 55 percent of total world exports were destined to Europe.⁸

⁸ Food and Agriculture Organization, Grain Exports by Source and Destination, 1949-50, Sept. 1950, p. 1.

Table 2 : Total exports of the four major exporting countries.

	: Argentina :	Australia :	Canada :	United States :
	1000		metric	tons
1935/39	3336	2798	4821	1725
1946	1445	1561	6122	9998
1947	2306	1354	6581	13481
1948	2165	3566	5208	13612
1949*	2417	3131	6432	8655

Source: Food and Agriculture Organization, Commodity Series, Bulletin No. 18 : Grain, Washington, May 1950, p. 97.

* : Food and Agriculture Organization, Grain Exports by Source and Destination, 1949/50, p. 7.

Table 3 : Total exports of the four major exporting countries in percent of their total respective domestic supply at the beginning of the crop-year.

	: Argentina :	Australia :	Canada :	United States :
	p e r c e n t			
1935/39	35.3	47.5	44.5	6.9
1946	19.1	31.7	46.2	29.3
1947	30.4	20.1	56.4	34.1
1948	32.2	50.8	41.2	33.1

Source: Computed from Appendix Table IV and Table 2.

Tables 2 and 3 reflect the development of recent wheat exports from the four principal exporting countries compared to prewar conditions as follows:

Argentina's exports are smaller than before the war, Australia exported only about half of what it did in 1935-39. Canada increased her

exports considerably and United States by about seven times of that during the five prewar years. Domestically the greatest changes with impacts on international trade took place in the United States where the exports amounted to 23-33 percent of the total domestic supply compared to only 7 percent before the war. This was due both to expansion in wheat area and increase of yield per acre. From the prewar (1935-39) average of 23 million hectares the wheat area increased to 29.5 million hectares as the 1946-49 average.⁹ At the same time, the yield per hectare rose from the subnormal level of 26 bushels in 1935-39 to 40 in 1946-49.¹⁰ While domestic disappearance is fairly invariable the exports vary from year to year with the output which is, in turn, determined by the area sown and the average yield obtained. Through governmental acreage control the area sown is determined one or two years ahead, but because of a lack of long-run planning it is unpredictable. Yields, on the other hand, are completely unpredictable, being the main cause of the variability of agricultural output and amounts available for exports.

These significant unpredictable changes in the different exporting countries, together with the elimination of other sources of wheat on the world market definitely have their bearings on the appropriateness of any international cooperative action, like the International Wheat Agreement. The changing underlying conditions call for flexible treatment of any measure of such kind.

⁹ Food and Agriculture Organization, Commodity Series, Bulletin No. 18: Grain, Washington, May 1950, p. 57.

¹⁰ "Wheat Situation", United States Department of Agriculture, July-August 1950, p. 22.

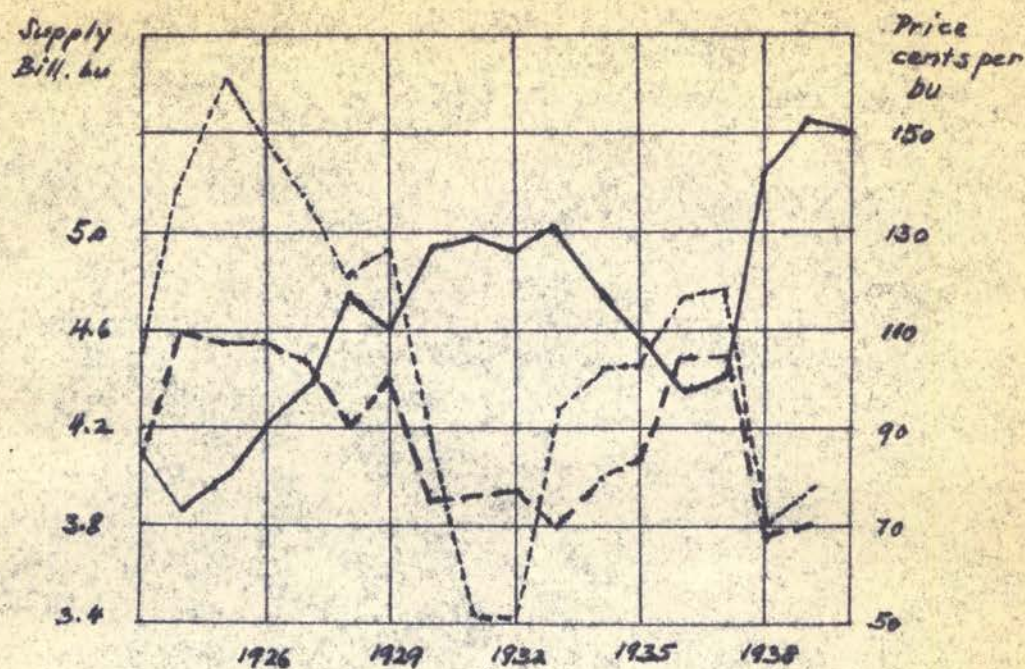
4. Wheat prices.

An analysis of prices of wheat in international trade requires special attention of the development of multiple prices. Up to World War II Liverpool wheat prices represented the world market price, and it differed from the original domestic prices in the exporting countries practically only by the transportation costs to the main European market. Since the depression of the thirties, however, there had been developing an increasing discrepancy between domestic farm prices of the exporting countries and wheat prices on the world market. Today there is no representative world market price, rather special prices are agreed upon between a particular exporting and importing country in each trade transaction. The geographical price differences are based on the following factors:

1. Particular crop conditions in the respective countries, affecting the local supply of wheat.
2. Domestic wheat production and trade policy (price support, production control, export subsidization, import control).
3. Monetary policy affecting exchange rates and domestic price levels.
4. Transportation costs to the major importing countries. This does not affect f.o.b. prices, but is relevant with regard to the cost of the foreign wheat to the particular importers.

With Chart 3 it can be demonstrated that up to the second World War the world price of wheat was determined primarily by the world's supply condition of wheat. The peak of supply in 1933 was followed by two years of extremely short crops in North America connected with a price rise. The reverse development occurred in 1938. At the same time this chart shows also the similar movement of wheat price with the general business cycle (peaks in 1929 and 1937, troughs in 1930 and 1938).

Chart 3 : Wheat world supply and price, 1923-39



- World supply
- - - World price : Average British parcels deflated by statist. index numbers (1910-14 100)
- Price of No.2 Hard Winter wheat, Chicago cash sales (from : FAO Commodity Series, Bull. No. 18, p. 104)

Source of Chart : US Dept. of Agriculture, Bureau of Agricultural Economics, 1941 Agricultural Outlook Charts, Washington D.C., Oct. 1940, p. 7.

During the postwar years as compared with 1937 there were different development of prices in the four major exporting countries. From Table 4 it can be seen that the prices (in terms of United States currency) of Canadian wheat and Argentine wheat were, in 1946, about the same as in 1937. This peculiar fact can be explained in the case of Canada by the particular kind of trade under the Bilateral Agreement with the United Kingdom, introduced in July 1946. Under this four year bilateral Agreement Canada delivered a great part of its total exports to the United Kingdom at \$1.55 per bushel for the first two years.¹¹

The price quotation of Argentina is the price to producers, bagged, on track at ports. This, however, does not give a true picture of the actual export prices, since the trade policy of the Argentine government has been, particularly since the end of the war, to take advantage of the world wheat shortage. The Argentine price quoted here merely indicates at what levels she is able to export wheat without lowering the prices to producers or without export subsidies. Export prices may actually be much higher.

The recent price developments are no longer a reflection of the supply condition alone. The severest shortage of wheat occurred in 1946 and 1947, while the prices were the lowest. The fact that there are other factors than the supply condition determining the price development is of great importance when considering the set up and the effect of the new International Wheat Agreement. Even without any conclusive analysis it can be argued that increasing government price and export subsidization

¹¹ United States Department of Agriculture, Office of Foreign Agricultural Relations, Foreign Agriculture, Dec. 1948. "World Trade in Grain - Bilateral Developments", p. 276.

as well as bilateral contracts between special exporting and importing countries are to a certain extent price influencing. This has occurred during the years preceding the introduction of the International Wheat Agreement.

Table 4 : Wheat prices in the four major exporting countries, after the war compared to 1937.

	: Argentina ^a :	Australia ^b :	Canada ^c :	United States ^d
	United States Dollars per metric ton			
1937	44	36	49	41
1946	45	65	48	77
1947	51	99	104	93
1948	58	111	95	80
1949	68	89	79	79

Source: Food and Agriculture Organization, Monthly Bulletin of Statistics, Oct. 1950.

- (a) : Price to producers, bagged, on track at ports.
- (b) : 1937 weighted average shippers limits for growers bagged and bulk lots, Sidney, Melbourne and Adelaide. Quotations thereafter are Australian Wheat Board export prices, f.o.b. port, bulk and bagged. Beginning Aug. 1949, Wheat Board prices for f.a.q. bulk wheat, f.o.b., sold in excess of IWA quota.
- (c) : 1937: Winnipeg Grain Exchange average price. Quotations thereafter are prices for exports to countries other than United Kingdom. Beginning Aug. 1949, Wheat Board selling price. All prices for No. 1 Northern Manitoba, basis in store Fort Williams Port Arthur.
- (d) : Weighted average price of cash sales of No. 2 Hard Winter wheat at Kansas City.

III. History and Scope of the Agreement.

1. Historical review.

1st International Wheat Conference, Rome, 1931.

2nd International Wheat Conference, London, 1931.

3rd International Wheat Conference, London, 1933.

First International Wheat Agreement, London, August 1933. Participants: Argentina, Australia, Canada, United States, Bulgaria, Roumania, Hungary, Yougoslavia, USSR and 13 importing countries. Scope: rigid export quotas, reduction of wheat acreage, reduction of tariffs. Objective: raising the prices.

4th International Wheat Conference, Washington, 1941/42.

Memorandum of Agreement, Washington, June 1942, by the governments of Argentina, Australia, Canada, United Kingdom, United States, containing: proposal for a post-war pool of relief wheat and establishment of the International Wheat Council. The Council presented a Draft Agreement as a starting basis for post-war efforts.

5th International Wheat Conference, London, 1947. The first part of the Conference dealt with the conclusion of an Agreement on the basis of the 1942 Draft Agreement. When Argentina withdrew, the dealings took the form of a multilateral purchase and sales contract.

6th International Wheat Conference, Washington, 1948.

Second International Wheat Agreement, concluded in March 1948 between Australia, Canada, United States and 33 importing countries. The failure of the United States to ratify the Agreement made 5 importing countries, among them the United Kingdom, withdraw.

7th International Wheat Conference, Washington, 1949.

3rd International Wheat Agreement, concluded April 15, 1949 between 41 countries, among them Australia, Canada, United States. Argentina and the USSR withdrew earlier during the negotiations.

It is only in the last two decades that different nations and international organizations have been concerned about some form of international cooperation, action or even control of trade with regard to wheat. The work on the international wheat problem has since the World Monetary and Economic Conference in London in 1933 been a continuing process. The different economic policies of national scale have even urged the need for

such an approach.

Under the auspices of the International Institute of Agriculture in Rome an International Wheat Conference was held in 1933, after two preceding ones in 1931 had failed. The first International Wheat Agreement (IWA) was concluded and ratified in August 1933. Its contents were allocation of limited export quotas to the four major exporters, the Danubian countries and the USSR. Except USSR, they agreed to reduce their wheat acreage. The European importing countries agreed to lower the import tariffs and to restrict their domestic wheat production. Its objectives were the elimination of abnormal surpluses and the rise and stabilization of prices. Export quotas were the main device. When Argentina exceeded her 1933-34 export quota by about 1 million metric ton, the Liverpool price fell below 40 gold cents per bushel. The European countries failed to lower their import barriers; as a result the Agreement proved to be ineffective.

A fourth International Wheat Conference met in 1941-42, including Argentina, Australia, Canada, the United Kingdom, and the United States. The result was a Memorandum of Agreement and a Draft Convention outlining the principles of any future International Wheat Agreement. It was intended to facilitate the conclusion of such an agreement immediately after the war. This Draft Convention was more involved than the 1933 Agreement, containing provisions for expansion of trade, production control, stocks, export control and price control in the form of a price range, and a relief pool.

During the 5th International Wheat Conference in 1947, Argentina withdrew from participating in a proposed agreement. The Draft Agreement, which was then the basis for the proceedings, was dropped and a

different type of agreement formulated on the basis of multilateral purchase and sales contract, without any production control measures, however. No agreement was signed after the United Kingdom considered the prices established in the proposal as too high.

Efforts continued and the 6th International Wheat Conference produced another Wheat Agreement in March 1948. But it never went into effect because of the failure of the United States Senate to ratify it.

After some price modifications were made the present International Wheat Agreement was concluded in April 1949 and ratified by the first of July.

2. Scope of the 1949 IWA.

The purpose of the Agreement is to assure supplies of wheat to the participating importing countries and markets for the exporting participants at equitable and stable prices.¹² This broad objective is a recognized principle in several new international organizations. Today international economic collaboration has come to a point to be viewed essential for the achievement of "postwar objectives: advances in real income and planes of living, sustained high-level of employment, enlargement of multilateral trade, and a generally expanding world economy".¹³ Within the framework of objectives toward liberalization of international trade and promotion of expanding multilateral trade both the General Agreement on Tariffs and Trade¹⁴, concluded in Geneva in 1947, and the

¹² Department of State Publications 3614, United States Government Printing Office, Washington 1950, Art. I.

¹³ Davis, J. S., International Commodity Agreements, Illusion, Hope or Menace? The Committee on International Economic Policy, New York 1947, p. 5.

¹⁴ Final Act of the Conference on Trade and Unemployment, United Nations, 1947, Art. 11-19.

Havana Charter for an International Trade Organization¹⁵ contain provisions for international commodity agreements. The ITO Charter especially sets up broad objectives for such agreements¹⁶:

- (1). Prevention of alleviation of serious economic difficulties which may arise when needed adjustments cannot be effected as readily as circumstances require by normal market forces alone.
- (2). Prevention or moderation of pronounced price fluctuations with due regard to the desirability of securing long-term equilibrium between the forces of supply and demand.
- (3). Distribution of basic foods at special prices.

The ITO Charter states also some specific requirements under which international commodity agreements involving some regulation of production or trade are permissible in order not to invalidate the broad principles of nondiscriminatory multilateral world trade.¹⁷

From the various principles enounced by these different international bodies, including the Food and Agriculture Organization, the Economic and Social Council of the United Nations, four major principles seem to be outstanding:

- (1). International commodity agreements should be set up under multilateral considerations.
- (2). They should promote stabilization of agricultural prices at levels fair to both consumers and producers.
- (3). They should avoid restriction of production and stimulate consumption.
- (4). They should be flexible and give allowance to shifts of production.

¹⁵ ITO Charter, Arts. 56, 58, 59, 62.

¹⁶ Ibid., Art. 57.

¹⁷ Ibid., Arts. 60, 62a, 63.

After 1947 it was particularly the United Nations Interim Co-ordinating Committee for International Commodity Agreements that studied the conditions for and criticized the efforts towards international agreements for different commodities.¹⁸

3. Contents of the 1949 Wheat Agreement.—

The duration of the Agreement, concluded in April 1949, is four years. The specified quantities to be traded each year under the Agreement fall within the following price range (Art. VI):

	Minimum	Maximum
1949/50	\$ 1.50	\$ 1.80
1950/51	\$ 1.40	\$ 1.80
1951/52	\$ 1.30	\$ 1.80
1952/53	\$ 1.20	\$ 1.80

These prices are in Canadian currency per bushel at the parity for the Canadian Dollar, determined for the purpose of the International Monetary Fund as at March 1, 1949, for No. 1 Northern Manitoba wheat in bulk store at Fort William/Port Arthur. These basic minimum and maximum prices have to be modified by marketing costs and quality differences.

For each of the 37 importing countries there is a specified yearly quantity. The respective importing country is required to purchase this amount when it is offered at the minimum price for the particular year. The exporting countries are required to sell this quantity to the importing country when it wants to buy it at the maximum price.¹⁹ Each of

¹⁸ In its yearly "Review on International Commodity Problems".

¹⁹ Department of State Publication 3614, United States Government Printing Office, Washington 1950. (Agreement Text) Art. III, Paragraph 3, and Annex A to Art. III.

the 4 exporting countries guarantees to sell a specific quantity. As long as this quota is not filled, any of the participating importers has the right to its respective quota at the maximum price. On the other hand, any of the exporting countries can call upon the importing countries to buy from the unfilled quota at the minimum price of that particular year.²⁰ The Agreement quotas of the exporting countries are stated in Table 5.

Table 5. Guaranteed sales under the Agreement.²¹

	1949-50		1950/51	1951/52	1952/53
	Original	Adjusted			
	1000		metric		tons
Australia	2177	2199	2332	2332	2332
Canada	5527	5582	5934	6151	6206
France	90	91	106	106	106
United States	4574	6419	6208	5991	5936
Uruguay	50	-	-	-	-
TOTAL	12418	14291	14580	14580	14580

With regard to the guaranteed sales of the exporting countries the following points are noteworthy:

1. The increase in the 1949-50 quota (adjustment of the quotas by the Wheat Council) fell primarily to the account of the United States of which 1,800,000 metric tons is due to the accession of Western Germany to the Agreement²², in March 1950.

²⁰ Ibid. Art. III, Paragraph 4, and Annex B to Art. III.

²¹ OFAR, USDA, Foreign Agriculture Circular, Oct. 4, 1950, p. 5.

²² United States Department of Agriculture, Press release USDA 664-50, Washington, March 17, 1950.

2. From the total quantity remaining constant from 1950 to 1953, an increasing share is covered by Canada and a decreasing one by the United States.
3. The total adjusted quantity required by the Agreement comprises about 53 percent of the total world trade in 1948, over 95 percent of the total average world exports during the prewar period 1934-38, and 62 percent of the total trade during the first Agreement year.
4. The trend seems to be toward an increasing proportion of Agreement trade, since total trade is gradually decreasing.

The Agreement does not restrict the trade of wheat to the amounts specified. Rather, any quantity of wheat at any price may be traded beyond the provisions of the Agreement. -

"For most member countries the amounts involved are only a part of their total wheat imports or exports. Thus, even among Agreement countries, there are ... two types of foreign trade in wheat: trade in Agreement wheat ... and in "free" wheat. In addition, there is a substantial volume of world trade in wheat originating in non-Agreement sources, part of which is moving to Agreement importers and part to non-Agreement importers".²³

And consequently, there are also different prices of wheat in the world market:

- (1). Prices of wheat under the terms of the Agreement.
- (2). Prices of "free" wheat sold by Agreement-exporters beyond the Agreement quota.
- (3). Prices of wheat sold by non-Agreement exporters.

²³ Food and Agriculture Organization, Commodity Series, Bulletin No. 18: Grain, Washington, May 1950, p. 15.

Therefore, "it is often difficult or impossible to find a representative international wheat price".²⁴

While the 1949 Agreement does not state any requirements with regard to production in the exporting nor in the importing countries, some general provisions are given for exporting as well as importing countries to maintain stocks at a level to insure "the fulfillment of the Agreement terms"²⁵ and "in order to avoid disproportionate purchases of wheat at the beginning and end of a crop year".²⁶

The quantities required under the Agreement may be subject to adjustment, i.e. in the case of non-participation or withdrawal of countries²⁷ or in the case of a short crop or necessity to safeguard balance of payments or monetary reserves²⁸ or in case of critical need.²⁹ In all these cases of possible adjustment the question has to be brought to the Wheat Council which decides the issue.

Each exporting and each importing country is a voting member of the International Wheat Council established for the purpose of administering the Agreement. The voting power of the importing and exporting countries consists of one thousand votes each, distributed between them according to their relative quotas.³⁰ This provision for equal representation of

²⁴ United Nations Interim Co-ordinating Committee for International Commodity Agreements, "Review of International Commodity Problems", Washington, Feb. 1950, p. 15.

²⁵ Agreement Text, op. cit., Art. VII, Paragraph 1.

²⁶ Ibid., Art. VII, Paragraph 3.

²⁷ Ibid., Art. IX.

²⁸ Ibid., Art. X.

²⁹ Ibid., Art. XII.

³⁰ Ibid., Art. XIII.

exporting and importing countries is supposed to reflect protection of consumers' as well as producers' interests in such type of partial control of wheat trade.

It is characteristic of the form of the Agreement not to state any definite measures for enforcement of rights, except that if any country has "committed a breach of this Agreement" it may be deprived of its voting rights temporarily or expelled from the Agreement if a majority of the votes of the exporting and importing countries so decides.³¹ In other words, there is no economic or political enforcement or discrimination against a country which does not fulfill the terms of the Agreement. This may be claimed a weakness of the Agreement and may end in a breakdown of the Agreement under stress. But this International Wheat Agreement is, like many postwar international organizations, supposed to be based on the goodwill of the participants, realizing the need for international cooperation rather than for immediate temporary self-interest of the individual nations.

4. Economic significance of the Agreement. -

The strongest criticism against the International Wheat Agreement, as against any regulation of international trade, is that it restricts the volume of total trade and protects the existing economic pattern of production. Generally international commodity agreements are designed to

- (1) divide an import market among various exporters, usually by means of import quotas, or to
- (2) maintain world prices and to share world markets by means of export quotas.

³¹ Ibid., Art. XIX, Paragraph 3.

The 1949 Wheat Agreement implies both import and export quotas, however, without restricting the total trade to the specified quotas. The 1933 Wheat Agreement as well as the 1942 Draft Convention provided for restricted export quotas exclusively, the former on an absolute, the latter on a relative basis. It seems, then, that by allowing free wheat trade beyond the quantities of the Agreement and at unspecified prices the 1949 Wheat Agreement is "more compatible with the goal of expanding volume of world trade than export quota restrictions or fixing of relative shares of markets".³²

As far as prices are concerned, the Wheat Agreement of 1933 did not contain any provisions except that if the world market price rises above a certain level the importing countries would have to lower their tariffs accordingly. The minimum and maximum prices of the 1949 Agreement divide the trade into two parts: One part which takes place within the price range specified for that particular year, and the other part constituting wheat traded at prices above or below this price range.

While previous agreements have been shaped according to the interests of producing and exporting countries the 1948 and 1949 Wheat Agreements in their primary objectives state prices acceptable to both exporting and importing countries regardless of the world's supply condition. In the case of the interests of the importing side, however, the question arises whether it is primarily the producers' or the final consumers' interests that are embodied in the agreed minimum price. For, an importing country with some degree of protection of its own domestic wheat production does not necessarily favor low prices in the negotiations of an international

³² "Comparison of Agreement with multilateral bulk purchase" Economica, Vol. XVI, Feb. 1949, p. 38.

agreement. Rather, "in view of the disequilibrium between prices and costs (of wheat production) ... whereby national production becomes particularly sensitive to downward movements in the international price ... these countries may ... find it more to their advantage to have higher minimum prices than those contemplated under the Agreement; this is in contrast to non-producing import countries..."³³ On the other hand, the insufficient availability of foreign exchange may and the final bread consumers' interests must call for as low minimum prices as possible. In other words, the mere consumers' standpoint still is not sufficiently considered in the present agreement. But even though consumers might be inclined to favor low prices temporarily it is conceivable that their broader goal of economic stability would support a higher regulated price.

Whether the underlying objective - to decrease price fluctuations - can thereby be accomplished is difficult to realize. Since the exporting countries carry on elaborate domestic price support and export subsidy programs the variation or the stabilization of income to producers is largely superseded by these government interventions. On the other hand, also, the nationally oriented import and monetary policies of the importing countries do not transmit the effects of a stabilized world market on to the final consumers. "The indirect effect (of the Agreement) on producers' income and consumers' expenditures depends on the measures taken by the governments to fulfill the obligations".³⁴ -

³³ "International Wheat Agreements", International Journal of Agrarian Affairs, Vol. I, No. 3, Sept. 1949, p. 38.

³⁴ "Comparison of Agreement with multilateral bulk purchase", Economica, Vol. XVI, Feb. 1949, p. 32.

In order to demonstrate the fluctuations over a period of about 20 years in the income to producers from wheat exports (quantity exported times price) an index has been computed (Appendix Table IX) representing the export values on the basis of 1935-39 average. The underlying prices are annual average prices for domestic wheat. In order to include factors of the general business cycle (inflation e.g.) and non-economic factors, the prices have not been corrected in any respect.

The very low indices of United States wheat export values of 1933-36 as contrasted with those of the late twenties and of the period after World War II clearly indicate a degree of fluctuation incompatible with any attempt of stabilization through measures taken towards a single commodity alone. The low index of 49.4 in 1933 presumably was caused by a drastic drop in world wheat price. The low indices of 34 and 50 in 1935 and 1936 are a consequence of the crop failures in the respective two preceding years, while the lower figures of the wartime are based on smaller export quantities. The extremely high indices of the postwar period, in turn, can be explained in terms of increased quantities and maximum prices. The other three exporting countries, Australia, Argentina and Canada, show approximately the same development, though less pronounced. It is impossible to continue this picture into the recent period of Agreement operation in order to draw any conclusion whether or not the Agreement has had, so far, any stabilizing effect. This analysis will probably only be possible after the elapse of a few years under Agreement operation, when factors caused by the Agreement can more clearly be separated from those outside the Agreement. It may be that by dividing the total trade and by diminishing the free market the free wheat prices will fluctuate even

more.³⁵ But the overall effects on the income to producers from wheat trade are likely to be of a certain stabilizing nature.

A rigid quota scheme always tends to freeze production in a definite pattern. But protection of high-cost producers and the encouragement of submarginal production areas by regulation of quantities and prices is not apparent in the 1949 Agreement. First, it does not contain any provisions with regard to production, except that indirectly it infers that the governments of the exporting as well as the importing countries may have to implement some measures in order to meet the requirements of the Agreement. But they would be of an expansionist rather than restrictionist nature, since the guaranteed export quotas are minima, and not maxima.

Secondly, consideration is given to trends in shifts of production by means of changing guaranteed sales (see Table 5). While the quotas of Australia and France remain constant from 1950/51 to 1952/53, that of Canada is increased, and that of the United States decreased every year.

There is another stabilizing element introduced into the Agreement by the requirement for all member countries to maintain adequate stocks. For the exporting countries these stocks represent a certain safeguard for the availability of the agreed quantities against crop failures, at least if they are adequate. The definition of sufficient amounts is, unfortunately, left to the judgement of each exporting country. Stocks in importing countries serve the purpose to "avoid disproportionate purchases of wheat at the beginning and end of a crop year which might prejudice the stabilization of prices".³⁶ These vague provisions do not seem to claim any

³⁵ "International Wheat Agreements", International Journal of Agrarian Affairs, Vol. I, No. 3, Sept. 1949, Oxford University Press, p. 58.

³⁶ Agreement Text, Art. VII, Paragraph 3.

regulatory character, rather they merely point at a means to facilitate the fulfillment of the basic provisions of the Agreement.

Economically speaking the 1949 Wheat Agreement is no longer a special form of intergovernmental cartel. There is no longer a restriction of the total trade or production. The nature of a multilateral purchase and sale contract forms the base of all the provisions of the Agreement and furnishes a new approach to a stable commodity produced in areas so widely spread all over the world. Still, the existence of

"a system of industrial organization which tends to stabilize production and to introduce changes gradually and carefully may conceivably hold out greater promise of building a world without economic conflicts than the system of uncontrolled "process" from which the world has thus far suffered. If a certain degree of rigidity is thus introduced into our economic system, we may well inquire whether it is not to be preferred over a system subject to hectic fluctuations, with recurrent loss of invested capital, unemployment and social upheaval. Even if it should prove true, that cartels tend to hold back progress, this may theretofore turn out to be one of the most desirable features of the cartels in a world in which not expansion but coordination of existing capacity may prove to be the greatest immediate need".³⁷

³⁷ DeHaas, J. A., "Economic Peace through Private Agreements", Harvard Business Review, Winter 1944, p. 149.

IV. Analysis of the Agreement Operations.³⁸

The 1949 International Wheat Agreement came into operation at a time when the major postwar food difficulties and general economic maladjustments started to show some improvements. Agricultural production in war-devastated areas, having recovered slower than industrial reconstruction, started to reach prewar levels. Wheat production in Europe in 1949 was the highest since 1940 (Appendix Table III). Carry-over stocks in the exporting countries started to build up to considerable amounts again.

1. Agreement and total trade.

The total world trade in wheat during 1949-50 was lower than in the two preceding crop-years. With respect to the Wheat Agreement it is of great importance to know that during the 1949-50 crop-year 79 percent of the total world exports originated in the participating export countries of the Agreement, Australia, Canada and the United States (see Table 6). Europe, on the other hand, remained the greatest wheat importer with 13 million metric tons or 56 percent of the total world imports.

The illustration of Table 7 indicates the following facts about the wheat exports of the three major exporting countries:

- (1). Exports under the Agreement are in absolute terms the highest from Canada in spite of the higher United States Agreement quota.
- (2). Agreement exports as a percentage of total exports (Agreement and non-Agreement) are with 78 percent the highest in Canada, with 51 percent the lowest in the United States, i.e., the United States has among the three countries exported the greatest proportion of her

³⁸ The first year's operation comprises the time between Aug. 1, 1949 and July 31, 1950. Customarily, a crop-year is understood as from July 1 to June 30 of the following year. The statistics given have to be interpreted accordingly.

Table 6 : Composition of world wheat trade, July 1949-June 1950.

	Exports from	Imports to
	1000	metric tons
Europe & USSR	1820	12,820
North & Central America	15,090	1,550
South America	2,430	1,590
Asia	250	5,660
Africa	300	1,160
Oceania	3,130	240
TOTAL WORLD	23,020	23,020
Australia *	3,131	
Canada *	6,432	
United States *	8,655	
TOTAL TRADE OF MAJOR AGREEMENT EXPORTERS	18,218	

Source: Food and Agriculture Organization, Grain Exports by Source and Destination, July 49-June 50, Washington, Sept. 1950, p. 1.

* : Ibid., p. 7.

Table 7 : Total exports, IWA exports, IWA quotas of the three major exporting Agreement countries, 1949-50, with percentages. *

	: Australia	: Canada	: United States
	<u>1000</u>	<u>metric</u>	<u>tons</u>
Total exports ^a	3,131	6,432	8,655
IWA exports ^b	2,199	4,991	4,398
IWA quota ^c	2,199	5,582	6,419
<u>p e r c e n t</u>			
IWA exports in percent of total exports	70.2	77.6	50.8
IWA exports in percent of IWA quotas	100.0	89.4	68.5
TOTAL EXPORTS IN PERCENT OF IWA QUOTAS	142.3	115.2	134.8

* Source: ^a Food and Agriculture Organization, Grain Exports by Source and Destination, Washington, Sept. 1950, p. 7.

^b The Corn Trade Yearbook 1950 (Brocmhall's), Northern Publishing Co. Ltd., Liverpool, England, 1950, p. 61.

^c Ibid., p. 61.

total exports outside of the Agreement.

- (3). However, if the quotas had been fulfilled, Australia would have had the greatest proportion of non-Agreement exports, assuming the same amount of total exports. (42.3 percent above her quota)
- (4). The Agreement quota has only been filled by Australia, besides France whose small amounts we disregard in this analysis.
- (5). The Agreement quota of Canada has not been filled by a lack of 591,000 metric tons or 10.6 percent, that of the United States by a lack of 2,021,000 metric tons or 31.5 percent of the respective guaranteed sale.

Table 8 shows in which importing countries the main deficiencies occurred.

Table 8 : Quotas and actual purchases of wheat under the Agreement and total imports for selected importing countries and all continents.

	IWA Quota ^a	Actual IWA purchases ^b	Total imports ^c
	1000	metric	tons
Belgium	550	540	646
West Germany	1,800	865	2,445
Italy	1,100	354	996
Netherlands	750	747*	672*
Sweden	75	27	77
Switzerland	175	175	301
United Kingdom	4,819	4,818*	4,556*
Brazil ^d	360	12	1,000
TOTAL EUROPE	10,666	8,873	12,815
North & Central America	591	548	1,553
South America	735	371	1,595
Asia	1,873	1,673	5,655
Oceania	125	83	226
Africa	301	215	1,164
TOTAL WORLD	14,291	11,762	23,023

Source: ^a Office of Foreign Agriculture Relations, Foreign Agricultural Circular, Oct. 4, 1950, Table 4.

^b Ibid., Table 4.

^c Food and Agriculture Organization, Grain Exports by Source and Destination, pp. 5-7.

^d Broomhall's Corn Trade Yearbook, op. cit., p. 61.

* : See next page.

2. Fulfillment of the quotas.

The analysis of the wheat trade under the Agreement has necessarily to be focused on the question why despite a considerable trade outside the Agreement the quotas of the United States and Canada at lower prices have not been filled. In addition, certain factors may be pointed out as being responsible for the particular result of the first year's operation of the Agreement.

The non-fulfillment of the United States and Canadian quotas is, according to Table 9, primarily due to the fact that

- (1). Brazil covered almost its entire import requirements by Argentine wheat.
- (2). Italy lowered its total imports to 1 million metric tons or less than 50 percent compared to the two preceding years and supplied about three-fourths of it from non-dollar sources.
- (3). Germany as having become a member of the Agreement only in March 1950, with a yearly quota of 1.8 million metric tons, was not able to fill the quota in less than a full year's operation. (Accession of Western Germany in March 1950, USDA Press Release 664-50)

* A comparison between actual agreement purchases and total imports shows some statistical inconsistencies. In the case of the Netherlands and the United Kingdom, agreement purchases are greater than total imports. In reply to my inquiry the Office of Foreign Agricultural Relations of the United States Department of Agriculture has given the explanations stated in the correspondence extracts reprinted in the Appendix. One of the factors is the allocation of agreement wheat under Dutch and British quotas to their dependent territories, while actual imports are not recorded under the mother countries (There is a difference in the procedure of official trade statistics of the Food and Agriculture Organization and the records by the International Wheat Council):

	IWA Quota	IWA purchases
Dutch colonies	91,000 metric tons	78,000 metric tons
British colonies	367,000 metric tons	309,000 metric tons

A second explanation is the fact that "exports are reported on a July-June year, while IWA sales refer to an August-July year" (see copy of letters in the Appendix). Some differences between actual trade data and reported IWA sales can be explained by "resales" under the Agreement. According to a letter from Broomhall's Corn Trade News, New York, there is also a time lag between recorded Agreement purchases and their actual exports.

Table 9 : Italy's, Brazil's and Western Germany's import sources of wheat during 1949-50.

	: Italy :	: Brazil :	: West Germany :
	1000	metric	tons
IWA quota	1,100	360	1,800
IWA imports from United States	354*	2	865
Non-IWA Imports from United States	-	0.8	1,268
Imports from Argentina	348	996	145
Total Non-IWA imports	760	997	1,580
Total imports	996	1,000	2,445

Source: IWA imports and quotas : Broomhall's Corn Trade Yearbook, 1950, p. 61.

Non Agreement imports : computed from Food and Agriculture Organization, Grain Exports by Source and Destination, pp. 5-7.

* : 76,000 metric tons of these IWA imports from the United States were exported to Mexico and recorded under the Italian quota.

The failure of these importing countries, among others, to purchase the full amount of their respective quota did not violate the provisions of the Agreement, since the exporting countries did not offer to sell any agreement wheat

"at the minimum price, the point ... where the obligation of importing countries to buy would be effective. The United States Department of Agriculture considered that under conditions prevailing during 1949-50, it was in the best interest of the United States to make wheat available to the importing countries at the maximum price ... rather than to exercise quota rights with importers at minimum prices".³⁹

³⁹ Office of Foreign Agricultural Relations, "Foreign Agricultural Circular", Washington D. C., Oct. 4, 1950, p. 10.

Evidently the renouncement on certain quota rights outweighed the pressure of increasing stocks in the United States. This may, again, indicate that the 1949 Agreement does not claim to be a rigid scheme to control world trade in wheat, but only to exercise some stabilizing influence on the developments of prices and quantities supplied, insofar as excessive surpluses or severe shortages would moderate the prices from either too low or from too high.

3. International Wheat Agreement and European Co-operation Administration (ECA). —

So far the United States and Canada have complied with the Agreement at maximum prices although the prices of "free" wheat exports have been above maximum (Table 12). It is questionable, however, whether it would have been possible for the importing countries to buy such quantities at the maximum price, if ECA - financing had not helped to overcome payment difficulties in dollars.⁴⁰ Since 84 percent of the exporters' quotas involve dollar area wheat, Agreement financing poses special problems. It is, therefore, even "conceivable that one exporting country could offer wheat at the minimum (price) and have its quota unfilled because of lack of "free" dollars by importers, while another exporting country sells its quota at the maximum, plus quantities of non-Agreement wheat".⁴¹ Actually, the fact that the quotas of the exporting dollar-countries have been filled to such an extent at maximum prices can partially be contributed to the amount of ECA-financing under the Agreement. This is clearly visible from

⁴⁰ Food and Agriculture Organization, Commodity Series, Bulletin No. 18 : Grain, Washington, May 1950, p. 18: "Congressional action in October 1949 enabled ECA to authorize the sale of United States wheat at Agreement prices".

⁴¹ Ibid., p. 18.

Table 10, where total exports, ECA-authorized exports and IWA exports to selected ECA-countries are compared. Especially the United States Agreement exports to Western Germany, Italy, Netherlands and the United Kingdom, and the Canadian Agreement exports to the United Kingdom were to a large extent covered by ECA-financing.

Table 10 : Comparison of Total imports, ECA-procurement authorizations and IWA purchases from the United States and Canada, 1948-49 and 1949-50, by selected ECA-countries.

	Total imports 1948-49	Total imports 1949-50	ECA-author- ized 1948-49	ECA-author- ized 1949-50	IWA-pur- chases 1949-50
	1000		metric		tons
Belgium	718.8	646.2	477.1	99.9	540.0
West Germany	3,300.5	2,444.6	425.6	686.5	865.2
Italy	2,522.5	996.2	735.2	320.3	354.3
Netherlands	773.7	671.8	602.3	644.5	631.9
United Kingdom	5,835.3	4,556.4	3,515.2	2,770.5	4,195.7
Total ECA Countries	12,209.7	11,846.9	8,711.8	6,159.4	7,785.7

Source: Total exports: Food and Agriculture Organization, Grain Exports by Source and Destination, 1949-50, pp. 5-7. Food and Agriculture Organization, Commodity Series, Bulletin No. 18: Grain, p. 79.

IWA purchases: United States Department of Agriculture, Office of Foreign Agricultural Relations, "Foreign Agricultural Circular", Oct. 4, 1950, p. 7.

ECA procurement authorizations: mimeographed list from ECA, Washington, secured by personal correspondence.

The ECA member countries purchased a total of 7.8 million metric tons under the Agreement and thereof 6.2 million metric tons were authorized by ECA. Table 10, however, is unable to indicate what actual amounts of

Agreement exports were financed by ECA, since the exportation of the ECA-authorized quantities lag about three months behind the congressional procurement authorizations. Still, it is evident, that a great part of the United States and part of the Canadian IWA exports were covered by ECA procurements.

4. Export prices and currency devaluation.

With regard to prices of internationally traded wheat a few complications arose with the enactment of the Agreement. The International Wheat Agreement brought a price divergency between agreement and non-agreement wheat in the contracting exporting countries. At the same time, the currency devaluation occurred in September 1949 of a great number of importing countries as well as of Canada (by about 10 percent) and Australia (by about 30 percent). This altered the price relationship between import and export countries and among exporting countries concerning non-Agreement wheat. These complications definitely hinder the smooth functioning of transactions and also the collection of current statistical data for the purpose of dealing in trade. It also necessitates a special trading and payment procedure, as long as free market prices exceed the applying Agreement price. —

According to Table 11 non-Agreement wheat price exceeds Agreement wheat price (after devaluation) by 24 percent in Australia, 20 percent in Canada and in United States by 28 percent in the highest month.

Argentina's real export prices are not published in the statistics of any international agency. Undoubtedly, they are higher than those given in Table 12, since the trade policy of the Argentine government has been to take advantage of the international market as a soft currency country as much as possible. The prices underlying here merely are an

Table 11 : Monthly non-Agreement and Agreement prices in domestic currencies for Australia, Canada, and United States.

	Australia	Canada	United States
	pence per bushel	Canadian cents per bushel	U. S. cents per bushel
Non-Agreement prices			
1949 Aug.	168	206	206
Sept.	194	221	215
Oct.	240	238	219
Nov.	240	234	220
Dec.	234	222	222
1950 Jan.	228	214	222
Feb.	228	216	222
Mar.	228	223	227
Apr.	228	222	231
May	228	214	230
June	222	206	217
July	222	206	223
Agreement prices			
Aug. - Sept.	134	180	180
Oct. - July	193	198	180

Source: United States Department of Agriculture, Office of Foreign Agricultural Relations, "Foreign Agricultural Circular", Washington, Oct. 4, 1950, p. 9.

Table 12 : Prices of free wheat in the four major exporting countries in United States currency per bushel from July 1949-July 1950.

	: Argentina ^a	: Australia ^b	: Canada ^c	: United States ^d
	:	:	:	:
	United States	cents	per	bushel
1949 July	185	234	204	201
Aug.	185	226	207	206
Sept.	185	222	212	215
Oct.	185	223	215	218
Nov.	185	223	212	220
Dec.	191	218	201	220
1950 Jan.	191	212	193	223
Feb.	191	212	195	223
Mar.	191	212	201	226
Apr.	191	212	201	231
May	191	212	193	231
June	191	206	188	218
July	191	207	188	223

Source: Food and Agriculture Organization, Monthly Bulletin of Statistics, Oct. 1950.

- (a) : Price to producers, bagged on track at ports. The actual prices of wheat exported is higher.
- (b) : Wheat Board prices for f.a.q. bulk wheat, f.o.b. sold in excess of IWA quota.
- (c) : Wheat Board selling price for No. 1 Northern Manitoba wheat, basis in store Fort Williams/Port Arthur.
- (d) : Weighted average price of cash sales of No. 2 Hard Winter wheat at Kansas City.

indication of how low the export prices could potentially get without injuring the domestic producer.

In these terms Argentina was potentially able to undersell the non-Agreement wheat from the other three major exporting countries. In United States currency, however, Argentine wheat prices have been slightly above the maximum price of the Agreement (Table 12). Argentina did not follow the general currency depreciation in Sept. 1949 and, while changing a month later most of its export and import rates, the basic export rate of 3.3582 pesos per United States dollar remained the same applied to wheat.⁴² Although the f.o.b. price of wheat at Buenos Aires was lowered from 360 pesos per metric ton to 270 pesos per metric ton,⁴³ the price in terms of depreciated currencies was still higher than previously (e.g. 28 English pounds per metric ton compared to 26 pounds).

"These changes substantially reduced the dollar prices making them approximately competitive with prices in the free North American markets. In the case of sterling, the effect was to increase the price, but not to the full extent of devaluation in sterling. In other words, Argentina seems to quote prices ... which compete with those of other suppliers in both hard and soft currency markets."⁴⁴

This is the place to note that any prices quoted or computed are not fully comparable, since they constitute an average made from a certain quantity of wheat of different grades, locations and destinations and their total value. To be exact, total exports would have to be broken down into the different varieties and grades of wheat and with each shipment the transportation and other transaction costs separately treated.

⁴² International Monetary Fund, Financial News Survey, Vol. II, No. 14, Oct. 6, 1949, p. 109.

⁴³ Food and Agriculture Organization, Commodity Series, Bulletin No. 18: Grain, Washington, May 1950, p. 11.

⁴⁴ Ibid., pp. 11-12.

Even if all price quotations were f.o.b. prices the transportation costs to the ports and quality differentials would render the price statistics rather incomparable. Taking this into consideration the various price relationships of wheat from different sources still have some important implications with regard to the preferability of wheat by the importing countries.

Considering the prices of non-Agreement wheat before the currency devaluation of Sept. 1949 they were the highest in Australia in terms of United States dollars (Table 12). After the currency depreciation this situation was reversed, although it is not due alone to the change in exchange rate. From October 1949 on through the rest of the crop year Canada became the supplier of the lowest price wheat among Wheat Agreement exporters, Australia increased her export price in domestic currency after the devaluation thereby offsetting the decline in terms of United States dollars, while Canada with the devaluation of her currency of merely 10 percent reached a lower price than Australia in terms of United States dollars. However, both countries made some downward adjustments in prices soon after the devaluation, namely, in November 1949. The currency appreciation of the United States dollar made the United States wheat the most expensive one. This was even supported by a gradual monthly increase of prices after September 1949. The effect of this in comparison with Canada was that the price gap between Agreement and non-Agreement wheat was narrowed in Canada, but widened in the United States, since the currency depreciation did not affect the maximum prices of the Agreement.

A final important consequence of the currency depreciation is the fact that in most European countries the prices of domestic wheat became lower than the wheat imported under the Agreement at maximum prices as well as

the free foreign wheat (Table 13). The effect of this change in price relationships even supports the already existing trend of European expanding, i.e. recovering wheat production. In turn, this may explain the sharp decline of United States exports to Europe from 9 million metric tons in 1948-49 to 5.3 million metric tons in 1949-50 (Appendix Table XIII).

Table 13 : Comparison of 1949-50 domestic wheat prices in selected European countries before and after devaluation with the cost of imported wheat (exclusive of transportation).

	August 1949	November 1949-January 1950
	United States	dollars per metric ton
Belgium	97	82
France	95	72
West Germany	75	62
Netherlands	79	59
Sweden	81	60
United Kingdom	95	68
Imported wheat	Feb. 1950	
c.i.f. United Kingdom or Continent	United States dollars per metric ton	
IWA Basis Maximum \$1.80		77
United States (commercial)		95
Canada (commercial)		85

Source: Food and Agriculture Organization, Commodity Series, Grain, op.cit., p. 14.

This is also one of the main indications that the over-expanded wheat output and export of the United States after the war can be only of temporary nature. In addition, it shows, that the International Wheat Agreement making no provisions for special changes in general economic conditions such as a vast currency depreciation, is despite its relatively flexible and incomprehensive nature not able to give the world wheat trade a strong definite pattern.

V. Summary and Conclusions.

1. Summary.

During the course of the past two decades international economic relations underwent some outstanding changes. International monetary exchange became subject to governmental control and trade policy and commodity control were topics of endless discussions on national and international grounds. Increasingly attempts were made to combine the different approaches of the various nations, especially after World War II, by means of the numerous new international organizations.

The evolution of a need for an international wheat agreement is based on the expansion of wheat production in the major wheat areas of the world, combined with a drastic drop in import demand for wheat during the depression of the thirties. When on the one side steps were taken nationally to limit the production and to support the falling price, similar attempts were made on an international scale. The International Wheat Agreement of 1933 emerged from the need to correct general economic maladjustments. The forces embodied in the particular set-up of that Agreement were not strong enough to overcome the difficulties of the surplus problems. The idea then created of controlling the international trade of wheat was never dropped, but under strong criticisms revised and finally shaped in new form, the International Wheat Agreement of 1949 of a less tight nature. The pertinent objective is the stabilization of income to producers and consumers' expenditures. At the same time it is sought to encourage the expansion of the total volume of trade through the very means of stabilization.

The first year's experience under the Agreement proved that the goal of the agreed quantities of wheat to be traded was not reached by the

United States and Canada. During this period the particular international economic conditions shaped the result of the Agreement operations. It was the currency depreciation, the dollar-shortage and the recovering domestic wheat production in most of the importing countries that were responsible for this result.

2. Conclusions.

The first year's operation of the Agreement cannot represent a test of the effectiveness of the Agreement. The fact that not all of the agreed quantities of the Agreement have been filled is due to the prevailing general economic conditions, and is not a violation of the terms of the Agreement. The importing countries Italy and Brazil found it more to their advantage to purchase their import requirements elsewhere (non-dollar sources) and the exporting participants of the Agreement did not find it profitable to exercise their quota rights.

The currency depreciation of a great number of countries in the fall of 1949 altered the price relationships between importing and exporting countries to varying degrees and among exporting countries themselves. While the Agreement-prices remained unaffected, the prices of the "free" wheat from the United States and Canada increased, that of Canada somewhat less. The prices of Australian wheat remained about the same in terms of dollars, since the devaluation was offset by a considerable price increase in domestic currency.

The activities of exporting countries outside the Agreement did not influence the international trade, except that Italy and Brazil, not having fully purchased the quantities under the Agreement, could get their wheat from Argentina. However, if Argentina were a member country of the Agreement, the fulfillment of the United States and Canadian quotas is likely

to have shown a similar result.

The experience of the 1949-50 Agreement operations shows that no strict control of price and quantity of wheat internationally traded is possible. The flexibility of the Agreement, i.e. its non-restrictive nature and the lack of enforcement to strict compliance, however, can exercise some influence on the kind of trade.

Finally, the experience of 1949-50 reveals that an Agreement does not remain unaffected by external conditions, i.e. exclusive of the realm of the Agreement. The currency depreciation still had some indirect effects on the Agreement trade. The activities of the European Co-operation Administration were greatly responsible for the fact that those importing countries lacking sufficient dollars were able to fill their quotas even to the prevailing extent.

During the second year under the Agreement another outside factor will greatly shape the result of the Agreement operations: the failure of the 1950 Canadian wheat crop. On account of this, the United States export quota has already been filled early this spring, while Canada, at the same time, was still lacking about one sixth of her quota.

These factors outside the Agreement influence strongly the result of the total world trade. Whether the Agreement proves to be workable under these particular circumstances during the period of four years will determine whether or not the present Agreement is going to be extended. Regardless of whether the final results are mainly a consequence of the Agreement or of other economic factors affecting the world trade also, it seems that a careful study of the particular commodity involved is the first prerequisite for any form of Agreement. And then, the general economic circumstances have to be taken into account.

The measure of the success of the Agreement cannot be the extent to which an ideal international trade is accomplished. It has to be viewed primarily in the light of the question whether or not it can combine the economic and political efforts and activities of the different nations to one common goal: co-operation for the sake of all rather than of a few.

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VII. Appendix.

Table I : Production of wheat annually, based on 5-year averages, in the four major exporting countries and Europe.

	: Argentina	: Australia	: Canada	: United States	: Europe, excl. USSR
	:	:	:	:	:
	1 0 0 0		m e t r i c		t o n s
1899/1903	2,538	1,162	2,066	18,327	33,220
1909/1913	4,002	2,463	5,365	18,554	35,976
1914/1918	4,405	2,975	6,752	22,124	28,334
1919/1923	5,470	3,023	8,880	22,973	29,190
1929/1933	6,214	5,020	9,642	21,559	40,008
1934/1938	6,634	4,200	7,170	19,476	42,964
1939/1943	7,096	3,946	12,066	23,466	37,746
1945/1949	5,357	4,828	9,949	33,140	31,432

Source: Food and Agriculture Organization, Commodity Series, Bulletin No. 18, Grain, Washington, May 1950, p. 58.

Table IIa : Wheat Production of selected countries, 1935-39, 1948, 1949, 1950.

	: 1935-39	: 1948	: 1949	: 1950
	1 0 0 0		m e t r i c	t o n s
Argentina	6,036	5,170	5,716	5,988
Australia	4,620	5,191	5,936	5,035
Canada	8,503	10,516	10,000	12,568
United States	20,649	35,752	31,205	27,953
United Kingdom	1,697	2,400	2,240	2,450
Total Europe	43,520	39,600	40,964	41,644
USSR	33,750	27,900	29,940	30,212
Total World	163,963	174,741	170,659	174,333

Source: United States Department of Agriculture. "Wheat Situation", Nov.-Dec. 1950, p. 32.

Table IIb : Wheat Production of selected countries, 1935-39, 1948, 1949, 1950 in percent of total world quantity produced.

	: 1935-39	: 1948	: 1949	: 1950
	:	:	:	:
	p e r c e n t			
Argentina	4.63	3.50	4.06	4.16
Australia	3.55	3.50	4.22	3.50
Canada	6.53	7.16	7.11	8.73
United States	15.86	24.35	22.18	19.40
United Kingdom	1.30	1.63	1.59	1.70
Total Europe, excl. USSR	33.42	26.97	29.11	28.90
Total World, excl. USSR	100.00	100.00	100.00	100.00
USSR	20.60	16.00	17.50	17.30
Total World, excl. USSR	79.40	84.00	82.50	82.70
Grand Total	100.00	100.00	100.00	100.00

Source: Table IIa.

Table III: Index of production in the four major exporting countries and Europe, 1924-1950. 1935-39 = 100.

	: Argentina :	: Australia :	: Canada :	: United States :	: Europe :
	p e r c e n t				
1924	86.2	96.9	83.9	110.9	65.1
1925	86.3	67.4	126.5	88.1	85.9
1926	103.7	94.7	130.3	109.7	74.7
1927	127.3	69.6	153.5	115.3	78.4
1928	157.4	94.1	181.4	120.5	86.6
1929	73.3	74.7	97.5	108.6	88.4
1930	104.7	125.8	134.6	116.9	83.1
1931	99.1	112.3	102.9	124.1	87.8
1932	108.6	126.0	141.8	99.7	90.5
1933	129.0	104.5	90.2	72.8	106.9
1934	108.5	78.5	88.3	69.3	94.6
1935	63.8	85.0	90.2	82.8	96.6
1936	112.7	89.2	70.2	83.0	91.1
1937	93.6	110.3	57.7	115.2	95.2
1938	170.9	91.5	115.2	121.3	113.0
1939	58.9	124.0	166.6	97.5	104.1
1940	135.0	48.4	172.9	107.4	78.2
1941	107.5	98.2	100.8	124.2	83.7
1942	106.0	91.7	178.2	127.8	75.1
1943	112.7	64.6	91.1	111.2	89.7
1944	67.7	31.1	133.3	139.7	89.6
1945	64.7	83.9	102.0	146.1	53.9
1946	93.0	69.1	132.4	152.0	76.0
1947	110.4	129.7	109.4	180.2	54.1
1948	84.5	112.3	123.6	173.4	84.7
1949	91.1	127.5	117.6	151.1	90.1
1950	-	117.8	147.8	133.1	-

Source: Food and Agriculture Organization, Commodity Series, Bulletin No. 18, Grain, Washington, May 1950, p. 58.

Table IV : Production plus carry-over (total stocks), at July 1, in the four major exporting countries, 1935-39, 1950.

	Argentina*	Australia*	Canada	United States
	1 0 0 0	metric	tons	
1935/39	9,439	5,898	10,838	24,850
1940	10,108	5,285	20,146	29,793
1941	10,024	6,061	21,633	36,115
1942	11,842	7,504	26,690	43,584
1943	10,718	8,211	23,935	39,893
1944	8,875	5,141	21,028	37,470
1945	7,090	4,746	18,051	37,808
1946	7,574	4,931	13,247	34,120
1947	7,588	6,725	11,668	39,496
1948	6,706	7,014	12,637	41,083
1949	6,725	7,523	12,694	38,933
1950	6,668	6,573	15,647	38,922

Source: Production: Food and Agriculture Organization, Commodity Series, Bulletin No. 18, Grain, p. 58.

Carry-overs: Broomhall's Corn Trade Yearbook 1950, op.cit., p. 56.

* : The Southern Hemisphere figures are exclusive of the quantities needed for home consumption in the closing months of the year.

Table V : Supplies for export and carry-over for two prewar decades and for postwar years. Crop years beginning August, exclusive United States July. (carry-over + production + import) - domestic disappearance.

	: Argentina	: Australia	: Canada	: United States
	1 0 0 0	m e t r i c	t o n s	
1920/29	4,344	2,681	9,463	-
1930/39	4,308	3,816	9,548	8,211*
1946	2,368	1,576	8,870	13,824
1947	2,920	4,232	7,544	18,747
1948	3,780	3,720	8,998	22,329
1949	2,789	-	9,349	19,787

Source: United States Department of Agriculture, Bureau of Agricultural Economics, "Wheat Situation". Nov.-Dec. 1950, Table 12, exclusive United States figures: Table 4.

* : United States Agricultural Statistics 1942.

Table VI : Index of exports from the four major exporting countries, since 1924. 1935-39 = 100.

	: Argentina	: Australia	: Canada	: United States
	:	:	:	:
	p e r c e n t			
1924	138.9	79.7	150.3	385.5
1925	95.6	116.8	151.7	223.4
1926	67.1	73.1	167.8	310.3
1927	133.9	103.0	167.5	365.1
1928	166.0	78.9	233.6	244.5
1929	204.1	98.1	143.4	248.2
1930	70.8	74.5	136.4	240.1
1931	112.8	153.6	124.5	202.8
1932	105.7	148.8	141.9	134.0
1933	122.0	140.3	122.7	47.9
1934	148.4	92.6	107.6	62.0
1935	119.5	99.8	105.9	29.2
1936	51.7	94.9	149.5	34.9
1937	180.6	98.6	64.6	92.8
1938	61.8	121.5	74.4	180.8
1939	146.5	85.0	105.5	162.2
1940	112.1	96.6	96.3	71.0
1941	73.5	51.6	140.1	69.7
1942	67.7	44.0	107.8	51.0
1943	62.3	37.5	156.5	92.2
1944	79.2	87.3	200.0	123.2
1945	78.4	15.7	220.8	498.8
1946	43.3	55.8	127.0	579.6
1947	69.1	48.4	136.5	781.5
1948	64.9	127.4	108.0	789.1

Source: Food and Agriculture Organization, Commodity Series, Bulletin No. 18, Grain, p. 97.

Table VIIa : Wheat and wheat flour exports by source and destination.

	: Argentina :	: Australia :	: Canada :	: United States :	: USSR & Danubian Basin or All others :	: Total :	
		1 0 0 0		m e t r i c	t o n s		
Europe	1934-38	2,116.5	1,763.9	4,065.7	674.3	1,895.9	10,516.3
	1947-48	2,023.7	908.5	5,060.9	9,520.1	1,024.5	18,537.7
	1948-49	912.5	1,363.6	4,804.1	9,034.7	1,069.4	17,184.3
	1949-50	788.6	515.8	4,547.2	5,302.1	1,661.1	12,814.7
North & Cen- tral America	1934-38	23.0	22.4	571.7	399.0	-	1,016.1
	1947-48	-	7.2	238.1	850.8	-	996.1
	1948-49	-	-	368.2	741.3	-	1,109.5
	1949-50	-	-	626.8	914.3	12.0	1,553.1
South America	1934-38	1,136.8	1.4	23.8	67.9	-	1,229.9
	1947-48	700.3	-	81.9	358.5	43.7	1,184.4
	1948-49	349.3	12.3	111.9	792.7	125.3	1,391.5
	1949-50	1,111.4	38.9	169.2	269.1	6.2	1,594.8
Asia	1934-38	46.2	905.7	133.1	172.1	64.2	1,321.3
	1947-48	50.0	1,492.1	280.8	2,080.5	42.3	3,945.7
	1948-49	384.9	1,507.5	524.7	2,918.4	525.5	5,861.0
	1949-50	516.6	1,964.4	789.4	2,069.0	315.8	5,655.2
Africa & Oceania	1934-38	15.9	119.0	37.8	42.0	9.0	315.8
	1947-48	-	414.9	19.4	489.8	130.0	1,054.1
	1948-49	-	528.9	230.5	317.9	370.2	1,447.5
	1949-50	-	612.3	299.4	100.9	393.0	1,405.6
Total	1934-38	3,349.0	2,919.4	4,840.5	1,379.5	2,049.6	14,538.0
	1947-48	2,774.0	2,828.3	5,681.1	13,199.7	1,254.0	25,737.1
	1948-49	1,646.7	3,418.6	6,039.4	13,805.0	2,090.4	27,000.1
	1949-50	2,416.6	3,131.4	6,432.0	8,655.3	2,388.1	23,023.4

Source: 1934-38, 1947-48, 1948-49, Food and Agriculture Organization, Commodity Series, Bulletin No. 18, op.cit., pp. 79-83.

Food and Agriculture Organization, op.cit., pp. 5-7.

Table VIIb : Wheat and wheat flour exports by source and destination, in percent of total.

		Argentina	Australia	Canada	United States	USSR & Danubian Basin or All others
		p e r c e n t				
Europe	1934-38	20.1	16.8	38.7	6.7	18.0
	1947-48	10.9	4.9	27.3	51.3	5.5
	1948-49	5.3	7.9	28.0	52.6	6.2
	1949-50	6.2	4.0	35.5	41.4	13.0
North & Central America	1934-38	2.3	2.2	56.3	39.3	-
	1947-48	-	.7	23.9	75.4	-
	1948-49	-	-	33.2	66.8	-
	1949-50	-	-	40.4	58.9	0.7
South America	1934-38	92.4	-	1.9	5.5	-
	1947-48	59.1	-	6.9	30.3	3.7
	1948-49	25.1	.9	8.0	56.9	9.0
	1949-50	69.7	2.4	10.6	16.9	0.4
Asia	1934-38	3.5	68.5	10.1	13.0	4.9
	1947-48	1.3	37.8	7.1	52.7	1.1
	1948-49	6.6	25.7	9.0	49.8	9.0
	1949-50	9.1	34.7	14.0	36.6	5.6
Africa & Oceania	1934-38	5.0	37.7	12.0	13.3	2.8
	1947-48	-	39.4	1.8	46.5	12.3
	1948-49	-	36.5	15.9	22.0	25.6
	1949-50	-	43.6	21.3	7.2	28.0
Total	1934-38	23.0	20.1	33.3	9.5	14.1
	1947-48	10.8	11.0	22.1	51.3	4.9
	1948-49	6.1	12.7	22.4	51.1	7.7
	1949-50	10.5	13.6	27.9	37.6	10.4

Source: See Table VIIa.

Table VIII : Exports of the four major exporting countries annually, 1935-39, 1949-50.

	: Argentina :	: Australia :	: Canada :	: United States :
	1 0 0 0	m e t r i c	t o n s	
1935/39	3,336	2,798	4,821	1,725
1940	3,741	2,706	4,642	1,225
1941	2,452	1,445	6,753	1,202
1942	2,261	1,232	5,196	896
1943	2,077	1,049	7,547	1,590
1944	2,643	2,443	9,645	2,125
1945	2,614	440	10,654	8,605
1946	1,445	1,561	6,122	9,998
1947	2,306	1,354	6,581	13,481
1948	2,165	3,566	5,208	13,612
1949/50	2,417	3,131	6,432	8,655

Source: Food and Agriculture Organization, Commodity Series, Bulletin No. 18: Grain, p. 97.

Table IX : Index of value of export of wheat and flour of the four major exporting countries, 1935-59 = 100.

	: Argentina	: Australia	: Canada	: United States
	p e r c e n t			
1926	91.8	113.4	255.2	526.8
1927	168.7	150.6	250.7	604.4
1928	175.4	98.6	296.1	338.8
1929	431.5	129.1	198.6	358.7
1930	53.7	53.2	94.5	223.3
1931	79.0	118.3	72.6	108.7
1932	68.1	117.8	77.0	70.5
1933	75.6	101.8	87.6	49.4
1934	107.3	73.4	91.3	73.0
1935	115.5	93.5	91.5	33.9
1936	64.8	126.0	191.1	49.9
1937	158.7	118.8	85.6	124.9
1938	46.1	86.7	48.7	141.1
1939	114.9	74.9	83.1	156.1
1940	83.4	102.4	74.3	67.2
1941	52.4	54.1	111.7	91.8
1942	49.4	46.1	105.2	79.4
1943	52.6	39.3	204.1	174.6
1944	79.5	91.5	270.5	243.7
1945	124.2	16.5	298.8	1,042.8
1946	77.8	58.5	187.4	1,545.0
1947	146.1	80.9	235.6	2,511.0
1948	157.0	227.3	238.7	2,203.0

Source: Food and Agriculture Organization, Commodity Series, Bulletin No. 18, Grain, prices, p. 104, quantities, p. 97.

United States prices: United States Department of Agriculture, Wheat Situation, July-Aug. 1950, p. 25.

Table X : Guaranteed quantities and actual purchases of selected countries in 1949-50 under the Agreement.

	Guaranteed quantities	Actual purchases
	1000 metric tons	
Belgium	550	540.0
West Germany	1,800	865.2
Italy	1,100	354.3
Netherlands	750	747.0
Sweden	75	27.4
Switzerland	175	175.0
United Kingdom	4,819	4,817.9
Subtotals:		
Europe	10,666	8,872.6
North & Central America	591	548.0
South America	735	370.5
Asia	1,873	1,672.8
Oceania	125	82.9
Africa	301	215.2
TOTAL	14,291	11,762.1

Source: United States Department of Agriculture, Office of Foreign Agricultural Relations. "Foreign Agricultural Circular", Oct. 4, 1950. Table 4.

Table XI : Agreement purchases, total imports during 1949-50, 1948-49 and 1947-48 of selected countries from Australia.

	: IWA : purchases :	: Imports : 1949-50 :	: Imports : 1948-49 :	: Imports : 1947-48 :
	1 0 0 0	m e t r i c	t o n s	
Belgium	-	-	9.2	19.3
West Germany	-	-	-	-
Italy	-	6.5	48.9	28.1
Netherlands	75.0	40.3	9.6	11.1
Sweden	27.4	28.0	9.6	27.2
Switzerland	-	-	-	28.3
United Kingdom	572.2	272.2	1,259.7	570.7
Subtotals:				
Europe	690.1	515.8	1,363.6	908.5
South America	8.6	38.9	12.3	-
Asia	1,361.2	1,964.4	1,507.5	1,492.1
GRAND TOTAL	2,199.4	3,131.4	3,418.6	2,828.3

Source: Agreement purchases: "Foreign Agricultural Circular", Oct. 4, 1950, Table 4.

Total imports 1949-50: Food and Agriculture Organization. Grain Exports by Source and Destination, op.cit., pp. 5-7.

Total imports 1948-49 and 1947-48: Food and Agriculture Organization, Commodity Series, Bulletin No. 18, Grain. Table B-3.

Table XII : Agreement purchases and total imports during 1949-50, 1948-49 and 1947-48 of selected countries from Canada.

	IWA purchases	Imports 1949-50	Imports 1948-49	Imports 1947-48
	1 0 0 0	m e t r i c	t o n s	
Belgium	284.2	302.1	70.1	155.8
West Germany	-	15.0	21.4	15.4
Italy	-	32.0	154.3	84.3
Netherlands	13.6	0.2	12.5	115.0
Sweden	-	-	-	-
Switzerland	175.0	221.0	125.5	25.2
United Kingdom	3,710.5	3,750.3	4,253.1	4,460.7
Subtotals:				
Europe	4,358.9	4,547.2	4,804.1	5,060.9
South America	157.0	169.2	111.9	81.9
Asia	171.1	789.4	524.7	280.8
GRANDTOTAL	5,048.1	6,432.0	6,039.4	5,681.1

Source: See Table XI.

Table XIII : Agreement purchases and total imports during 1949-50, 1948-49 and 1947-48 of selected countries from the United States.

	: : IWA : purchases :	: Imports : : 1949-50 : :	: Imports : : 1948-49 : :	: Imports : : 1947-48 : :
	1 0 0 0	metric	tons	
Belgium	255.8	276.4	501.0	392.2
West Germany	865.2	2,133.4	3,248.6	3,548.6
Italy	354.3	236.3	1,757.7	1,316.8
Netherlands	618.3	547.3	660.7	643.2
Sweden	-	-	3.1	57.3
Switzerland	-	0.1	264.7	161.0
United Kingdom	485.2	467.8	262.3	116.9
Subtotals:				
Europe	3,733.6	5,302.0	9,034.7	9,520.1
South America	204.9	269.1	792.7	358.5
Asia	140.4	2,069.0	2,918.4	2,080.5
GRAND TOTAL	4,424.5	8,655.3	13,805.0	13,199.7

Sources: See Table XI.

Table XIV : Agreement purchases from France and total imports from all exporting countries other than Australia, Canada, United States and Argentina, 1949-50, 1949-49 and 1947-48.

	IWA purchases from France	Other Imports 1949-50	Other Imports 1948-49	Other Imports 1947-48
	1 0 0 0	metric	tons	
Belgium	-	60.5	129.6	111.0
West Germany	-	151.6	30.5	41.6
Italy	-	373.4	101.3	1.0
Netherlands	40.0	65.3	90.9	0.5
Sweden	-	-	52.9	40.0
Switzerland	-	33.9	1.6	13.1
United Kingdom	50.0	66.1	60.2	-
Subtotals:				
Europe	90.0	1,661.1	1,069.4	1,024.5
South America	-	6.2	125.3	43.7
Asia	-	315.8	525.5	42.3
GRAND TOTAL	90.0	2,388.1	2,090.4	1,254.0

Source: See Table XI

Table XV : Total imports from Argentina in 1949-50, 1948-49 and 1947-48 by selected countries.

	: Imports : 1949-50 :	: Imports : 1948-49 :	: Imports : 1947-48 :
	1 0 0 0	m e t r i c	t o n s
Belgium	7.2	8.9	91.6
West Germany	144.6	-	-
Italy	348.0	460.3	805.9
Netherlands	18.7	-	5.8
Sweden	48.5	-	52.8
Switzerland	46.0	-	191.0
United Kingdom	-	-	260.0
Subtotals:			
Europe	788.6	912.5	2,023.7
South America	1,111.4	349.3	700.3
Asia	516.6	384.9	50.0
GRAND TOTAL	2,416.6	1,646.7	2,774.0

Source: See Table XI.

Letter from:

March 20, 1951

United States Department of Agriculture
Office of Foreign Agricultural Relations
Washington D. C.

"This is in reply to your letter concerning the difference between actual exports of wheat and flour and sales reported under the International Wheat Agreement for certain countries during the 1949-50 year.

There are various reasons why IWA sales during 1949-50 exceed exports to certain countries. First of all, as you suggest, exports are reported on a July-June year, while IWA sales refer to an August-July year.

A more important difference is the fact that sales recorded against IWA quotas for certain countries (e.g. United Kingdom, Netherlands, Belgium, Portugal) include quantities of wheat that actually move to numerous colonies and possessions of those countries. To illustrate this point, 1949-50 territorial quotas assigned by mother countries, within their total guaranteed purchases, are shown on the last page of the enclosed press release.

Another difference between reported IWA sales and actual trade data is explained by so-called "resales" under the Agreement. Thus, during 1949-50 over 75,000 tons of wheat were recorded against the 1949-50 Italian quota which were actually exported to Mexico. This transaction resulted from the need in Mexico of more wheat than her IWA quota allowed. To meet this need, an arrangement was worked out whereby Italy purchased the wheat under IWA (using a part of the unfilled Italian quota) and resold it to Mexico".

Signed:

R. L. Gastineau
Agricultural Economist
Grain Division

STRATHMORE PARCHMENT
100% RAG U.S.A.

Letter from:

May 3, 1951

United States Department of Agriculture
Office of Foreign Agricultural Relations
Washington D. C.

"It is important to keep in mind the provisions of Article III 3 (a) of the Agreement. In other words, member importing countries are under no obligation to purchase wheat under the Agreement except at minimum prices, and when required to do so by the Council.

At the same time exporting countries are under no obligation to sell wheat under the Agreement except at minimum prices. This would explain the non-fulfillment of quotas by countries such as Italy and Brazil the bulk of whose wheat import requirements was supplied by Argentina during the 1949-50 crop year. In other cases, such as Germany, late entry into the Agreement prevented purchase of their full quota during the first year. Thus far, the only way by which other importing countries can share in these unfilled quotas in any given year is through the resales procedure described in previous correspondence".

Signed:

R. L. Gastineau
Agricultural Economist
Grain Division

THESIS TITLE: Evaluation of the International Wheat Agreement
of 1949.

NAME OF AUTHOR: Reinhard Langenegger

THESIS ADVISER: Dr. A. A. Larson

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NAME OF TYPIST: Fern B. Hall

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