

INTERNATIONAL WHEAT AGREEMENT

Final act of the Conference of Wheat Exporting and Importing Countries opened for signature at London August 25, 1933; note of agreement initialed by the overseas wheat exporting countries at London August 30, 1933

Wheat agreement entered into force August 25, 1933

Expired July 31, 1935

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The Governments of Germany, Austria, Belgium, Bulgaria, France, the United Kingdom of Great Britain and Northern Ireland, Greece, Hungary, Irish Free State, Italy, Poland, Roumania, Spain, Sweden, Czechoslovakia, Switzerland, The Union of Socialist Soviet Republics, and Yugoslavia, having accepted the invitation extended to them by the Secretary-General of the Monetary and Economic Conference on behalf of the Governments of Argentina, Australia, Canada and the United States of America, to take part in a Conference to consider the measures which might be taken in concert to adjust the supply of wheat to effective world demand and eliminate the abnormal surpluses which have been depressing the wheat market and to bring about a rise and stabilization of prices at a level remunerative to the farmers and fair to the consumers of breadstuffs, have agreed as follows:

ARTICLE 1

The Governments of Argentine, Australia, Canada and the United States of America agree that the exports of wheat from their several countries during the crop year August 1, 1933 to July 31st, 1934 shall be adjusted, taking into consideration the exports of other countries by the acceptance of export maxima fixed on the assumption that world import demand for wheat which will amount during this period to 560,000,000 bushels.

ARTICLE 2

They further agree to limit their exports of wheat during the crop year August 1st, 1934 to July 31st, 1935 to maximum figures 15% less in the case of each country than the average out-turn on the average acreage sown during the period 1931-1933 inclusive after deducting normal domestic requirements.

The difference between the effective world demand for wheat in the crop year 1934-5 and the quantity of new wheat from the 1934 crop available for export will be shared between Canada and the United States of America as a supplementary export allocation with a view to the proportionate reduction of their respective carry-overs.

ARTICLE 3

The Governments of Bulgaria, Hungary, Roumania and Yugoslavia agree that their combined exports of wheat during the crop year August 1st, 1933 to July 31st, 1934 will not exceed fifty million bushels. This undertaking is made on the understanding that the aggregate may be increased to a maximum of fifty four million bushels if the Danubian countries find that such a supplementary quota is required for the movement of the exportable surplus of the 1933 crop.

ARTICLE 4

They further agree that their combined exports of wheat during the crop year 1934-35 will not exceed a total of fifty million bushels and recognise that the acceptance of this export allocation will not allow of any extension of the acreage sown to wheat.

ARTICLE 5

The Government of the Union of Socialist Soviet Republics, while unable to give any undertaking in regard to production of wheat, agree to limit their exports for the crop year 1933-34 to a figure which will be arrived at upon the completion of negotiations with the Governments of the overseas wheat exporting countries. They also agree that the question of their export of wheat during the crop year 1934-35 shall be the subject of further negotiations with the wheat exporting countries represented upon the Advisory Committee.

ARTICLE 6

The Governments of the wheat importing countries in signing this instrument:

I. Agree henceforth not to encourage any extension of the area sown to wheat and not to take any governmental measures, the effect of which would be to increase the domestic production of wheat.

II. Agree to adopt every possible measure to increase the consumption of wheat and are prepared to bring about the progressive removal of measures which tend to lower the quality of breadstuffs and thereby decrease the human consumption of wheat.

III. Agree that a substantial improvement in the price of wheat should have as its consequence a lowering of customs tariffs, and are prepared to begin such adjustment of customs tariffs when the international price of

wheat reaches and maintains for a specified period an average price to be fixed. It is understood that the rate of duty necessary to assure remunerative prices may vary for different countries, but will not be sufficiently high to encourage their farmers to expand wheat acreage.

Appendix A contains the agreed definitions relating to the technical points mentioned in this paragraph.

IV. Agree that in order to restore more normal conditions in world trade in wheat the reduction of customs tariffs would have to be accompanied by modification of the general regime of quantitative restriction of wheat imports and accept in principle the desirability of such a modification. The exporting countries for their part agree that it may not be possible to make substantial progress in these modifications in 1933-34, but the importing countries are prepared to make effective alterations in 1934/35 if world prices have taken a definitely upward turn from the average price of the first 6 months of the calendar year 1933. The objective of these relaxations of the various forms of quantitative restrictions will be to restore a more normal balance between total consumption and imports, and thereby to increase the volume of international trade in wheat. It is understood that this undertaking is consistent with maintaining the home market for domestic wheat grown on an area no greater than at present. It is obvious that fluctuations in the quantity and quality of the wheat harvest resulting from weather conditions may bring about wide variations in the ratio of imports to total consumption from season to season.

The obligations of the importing countries under this agreement are to be interpreted in the light of the following declaration:

It is recognised that measures affecting the area of wheat grown and the degree of protection adopted are primarily dependent upon domestic conditions within each country, and that any change in these measures must often require the sanction of the legislature.

The intention of this agreement is nevertheless that the importing countries will not take advantage of a voluntary reduction of exports on the part of the exporting countries, by developing their domestic policies in such a way as to frustrate the efforts which the exporting countries are making, in the common interest, to restore the price of wheat to a remunerative level.

ARTICLE 7

The countries participating in the Conference agree to set up a Wheat Advisory Committee to watch over the working and application of this Agreement. The functions, organization and financial basis of this Committee are set out in Appendix B.

Done at London, the Twenty-fifth day of August, one thousand nine hundred and thirty-three, in a single copy which shall be deposited in the archives

of the Secretariat of the League of Nations and of which authenticated copies shall be delivered to all Members of the League of Nations and non-member States represented at the Conference of Wheat Exporting and Importing Countries.¹

Germany

E. H. RÜTER

Argentina

T. A. LE BRETON

Australia

S. M. BRUCE

Austria

L. WIMMER

Belgium

C. BASTIN

*Bulgaria*²

P. H. MISCHIEFF

Canada

R. B. BENNETT

M. A. McPHERSON

Spain

LUIS CALDERÓN

AGUSTIN VELARDE

United States of America

FREDERICK E. MURPHY

France

HALGOUET

Greece

D. CACLAMANOS

Hungary

DE WINCHKLER

Irish Free State

JOHN W. DULANTY,

*ad referendum.**Italy*

G. B. CECCATO

Poland

T. GOEPPERT

Roumania

E. MARIAN

United Kingdom

H. F. CARLILL

Sweden

K. LUNDBERG

*ad ref.**Switzerland*

ERNEST LAUR

Czechoslovakia

Z. KONEČNÝ

*ad ref.**Union of Socialist Soviet Republics*

A. GOUREVITCH

Yugoslavia

M. PILJA

APPENDIX A

1. "International price of wheat" as mentioned in Article 6, paragraph III of the draft agreement, shall be understood to mean a duty free gold price c.i.f. on a world market.

This price shall be calculated according to the method followed by the Food Research Institute of Stanford University, California, (explained in Vol. 4 No. 8 of "Wheat Studies"). It is the average price of all parcels of imported wheat of all grades sold during each week in all the ports of Great Britain.

¹ The minutes of the final meeting of the conference contain the following statement:

"The signatures are to be regarded as affixed in the light of the statements made during the discussions by the representatives of the various countries: these statements are contained in the Minutes of the Conference, and are to be interpreted in the sense of paragraph IV of Article 6 of the Final Act."

² By a letter dated Aug. 25, 1933, the delegate of Bulgaria informed the President of the conference that he desired to accompany his signature with the following reservation:

"The Bulgarian Government reserves the right, during the period of two years covered by the Agreement contemplated, to complete the negotiations now pending or which are to be opened, for the conclusion of Treaties of Commerce or of Agreements granting to the Bulgarian Government a privileged treatment for the exportation of wheat with third Countries which have already granted the same privilege to the three other Danubian Countries [translation]."

2. The Secretariat of the Wheat Advisory Committee set up by the Conference shall undertake the regular communication of indices of prices calculated as above to all Governments adhering to the Agreement.

3. The minimum average gold price calculated as indicated above to be maintained for a period of sixteen weeks before it will be necessary for importing countries to adjust their Tariffs shall be 12 gold francs per quintal (63.02 gold cents per bushel).

4. The period referred to in Article 6 paragraph III of the Agreement, during which the average quotation for wheat is to be maintained before it will be necessary for importing countries to adjust their Tariffs shall be sixteen weeks.

5. Each country will decide upon its tariff adjustment in accordance with the principles enunciated in Article 6 paragraph III of the draft agreement, and every considerable and lasting change in wheat prices shall be followed by an adjustment of Tariffs proportionate to such change.

APPENDIX B. *Report of the Sub-Committee on the Constitution of a Wheat Advisory Committee*

A Sub-Committee composed of representatives of Australia, Belgium, France, Germany, Greece, Hungary, Italy, Switzerland, the United Kingdom, and the United States, met on August 22nd to consider whether any and, if so, what organisation should be set up in connection with the prospective Wheat Agreements. Mr. McDougall (Australia) was elected Chairman.

The present Report contains a summary of the views exchanged in the Sub-Committee and the recommendations submitted by it to the Conference regarding the functions, composition and financial basis of the suggested Advisory Wheat Committee.

It is clear that the proposed body can only be temporary in character, as the agreements under which it may be set up are intended to deal with the immediate difficulties of the situation. No question arises of establishing any permanent Committee entrusted with the task of supervising the production of and trade in wheat; it is simply proposed to set up a Committee to watch over the working and application of the agreements which may be arrived at. The Committee would be primarily advisory in character and would provide an opportunity for the representatives of Governments, fortified by the best available information, to review the way in which the several agreements were functioning. It would only take decisions in cases defined in the agreements.

The Committee's duties should be confined to the tasks outlined above, and should not extend to matters connected with the compilation of statistics, except as provided in Appendix A.

With the object of avoiding any overlapping the Advisory Committee should work in close cooperation with the Economic Organisation of the League and the International Institute of Agriculture.

As the work of the proposed Committee would be concerned with business rather than policy it should be small. It was recognised that the chief exporting countries—viz., Argentina, Australia, Canada and the United States—should be separately represented, and that the Danubian Countries should be entitled to a representative, as would the U.S.S.R. It was regarded as essential that importing countries should be represented as well as exporting countries.

It was at first suggested that the importing countries might be represented by two or three members, to be named by the Economic Committee of the League of Nations. But it appeared from the discussion in the Sub-Committee that it would be preferable that the Committee should contain an equal number of representatives of importing and exporting countries. Subject to this it was agreed that the Committee should be given power to enlarge its membership if circumstances appeared to render such a course desirable.

Importing States to be represented might be selected according to one of two methods; either the importing countries participating in the Conference might make their selection while the Conference is still sitting, or the choice might be left to the Economic Committee of the League. It was felt that a decision on this matter should be left to the importing countries.

In any case the members of the Committee should be appointed as representatives of States, and not in their personal capacity.

The Advisory Committee would be authorised, if it considered that circumstances rendered such action necessary, to convene a general meeting of the States parties to the Agreements.

Various suggestions were made regarding the chairmanship of the Advisory Committee. Some members thought that the League of Nations might be requested to ask some person of recognised standing and undoubted impartiality to accept the post of Chairman. Others thought that in view of the exceptional importance to the exporting countries of the wheat question, it might perhaps be desirable that the Chairman should be chosen from among their representatives. It was finally agreed that the appointment of Chairman should be left to the Advisory Committee itself, which might be empowered to elect a Chairman from among its members or, if it appeared practicable and desirable, to select some other person of recognised standing.

The Sub-Committee was anxious to keep expenditure on the lowest possible basis. The staff employed should be small in number and might consist of a highly competent secretary with a technical assistant and a shorthand-typist.

The cost of representation at meetings should be borne by the several Governments represented on the Committee. The Committee itself would only be responsible for cost of the staff, office expenses and the travelling expenses of the staff in so far as that might prove necessary. It was considered that the annual appropriation for the Committee need not exceed a total

of sixty thousand gold francs. The suggested basis of contribution was that each country accepting the Wheat Agreements should contribute four gold francs per 100,000 quintals of the average quantity of wheat produced during a given period, and that the wheat exporting countries should contribute a further eight gold francs per 100,000 quintals of wheat exported in an average year of the given base period.

The suggested basis of contributions towards the maintenance of the Advisory Committee are set out in Appendix A. to this Report.

The seat of the office of the Advisory Committee would be at London, but the Committee would be authorised to meet elsewhere if circumstances rendered it necessary.

ANNEX

BASIS OF CONTRIBUTIONS TO ADVISORY COMMITTEE³

Country	Production 100,000 quintals Average 1928-29	Levy of 4 gold francs per 100,000 quintals	Net exports 100,000 quintals	Levy of 8 gold francs per 100,000 quintals Average 1928-29, 1931-32	Gold francs, total con- tribution
Canada.....	1,098	4,392	716	5,728	10,120
United States of America.....	2,379	9,516	350	2,700	12,316
Argentina.....	655	2,620	432	3,456	6,076
Australia.....	469	1,876	321	2,568	4,444
Roumania.....	327	1,308	38	304	1,612
Hungary.....	225	900	61	488	1,388
Yugoslavia.....	257	1,028	35	280	1,308
Bulgaria.....	138	552	12	96	648
Poland.....	197	788	5	40	828
U.S.S.R.....	2,025	8,100	127	1,016	9,116
Lithuania.....	24	96	.....	.....	(96)
France.....	902	3,608	.....	.....	3,608
Italy.....	752	3,008	.....	.....	3,008
Spain.....	501	2,004	.....	.....	2,004
Germany.....	500	2,000	.....	.....	2,000
Czechoslovakia.....	146	584	.....	.....	584
Great Britain.....	121	484	.....	.....	484
Greece.....	46	184	.....	.....	(184)
Portugal.....	49	196	.....	.....	(196)
Sweden.....	74	296	.....	.....	296
Austria.....	35	140	.....	.....	(140)
Belgium.....	43	172	.....	.....	(172)
Denmark.....	30	120	.....	.....	(120)
Baltic States.....	15	60	.....	.....	(60)
Netherlands.....	17	68	.....	.....	(68)
Switzerland.....	11	44	.....	.....	(44)
					60,920

³ This schedule of contributions was later revised; the five countries or groups of countries which did not sign the agreement (Lithuania, Portugal, Denmark, the Baltic States, and the Netherlands) were removed from the list, and the Irish Free State was added. The importing countries also agreed that the minimum contribution should be 200 gold francs.

NOTE OF AGREEMENT BETWEEN THE OVERSEAS WHEAT EXPORTING COUNTRIES

The world wheat situation has altered to so considerable extent since the discussions between the four oversea exporting countries commenced that it is necessary to restate the position.

The basis of any plan agreed to between the oversea exporting countries is to bring about an adjustment of production so as to allow of the liquidation of existing surplus stocks within a period of two years.

The following data represents the best available indication of the present position:

- (a) World import demand in 1933-34 is assumed to be 750 million bushels, but this figure may vary by 50 million bushels up or down;

- (b) Exports from new crops in 1933-34 are estimated at:

<i>Canada</i>	
Crop from 395 to 400, say.....	400
Domestic requirements.....	117
Exportable surplus.....	283
<i>Argentine</i> —no crop estimate possible, but on estimate of 3-year-average and of yield:	
Crop.....	240,000,000
Domestic requirement.....	90,000,000
Exportable surplus.....	150,000,000
<i>Australia</i> —based as in the case of Argentina—	
Crop.....	192,000,000
Domestic requirement.....	50,000,000
Exportable surplus.....	142,000,000

It is estimated that other exporters will need 75,000,000 bushels. The position in regard to new export wheat may, therefore, be expected to be as follows:

Canada	283 million bushels
Argentina	150 " "
Australia	142 " "
Other exporters	75 " "
	<hr/>
	650 " "

The residual exports after allowing for the marketing of new wheat is therefore estimated at 100 million bushels which may, however, vary upwards or downwards by 50 million bushels according to the variation of the requirements of the importing countries.

The U.S.A. Position

The U.S.A. 1933-34 crop is estimated at from 520 million bushels to 575, say 540, and the U.S.A. domestic requirements at 610, leaving a deficiency

of 70 million bushels. The above estimates allow of the following method of dealing with the 1933–34 situation:

(a) Export quotas are allotted to deal with new wheat

575 million bushels

(b) The U.S.A. surplus stocks are 240 million and Canada at 140 million. The U.S.A. 1933–34 deficiency of 70 will reduce the surplus to 170. To bring about equality between the U.S.A. and Canada in regard to surplus, an initial figure of 30 million bushels should be allotted to the U.S.A.

(c) This leaves a figure of 70 million bushels as a final residual subject to considerable fluctuations up or down. This should be divided equally between U.S.A. and Canada for the absorption of surplus stocks. The method of dealing with reductions in the world import demand will be discussed in the next paragraph. It is felt that any increase in the possibilities of reduction of surplus due to failure of 1933 crops to reach the estimate of 541 million bushels for U.S.A. and 400 million bushels for Canada should be utilized by each country and that no attempt should be made to allot such figures between the two countries. Any increase of the marginal surplus due to increased world import demand should be shared equally between U.S.A. and Canada.

(d) If world import demand were below 750 million bushels, it is suggested that each of the four countries should share the necessary diminution of exports on a basis proportionate to their exports. Thus, if the world imports were 25 million bushels less than in 1933–34, the diminution

Canada	47%	= a diminution of	11,700,000
Argentina	22%	= “ “ “	5,500,000
Australia	21%	= “ “ “	5,250,000
U.S.A.	10%	= “ “ “	2,500,000

In the event of Australia or the Argentine not being able to fulfill their respective export surpluses in 1933–34 the difference between actual exports and export quota shall be available, upon the advice of the Advisory Committee, firstly, to enable the whole of the new wheat of the 1933–34 crop to be marketed by an increase in the allocation to any country with a larger exportable surplus than provided for in the quota and, secondly, in so far as such difference is not needed to cater for new wheat, to be equally divided between U.S.A. and Canada for the disposal of surplus stocks. If either Australia or the Argentine thus surrenders a part of its export quota, the quantity so surrendered shall be added to the export quota of that country for 1934–35.

During the second year of the scheme the surplus stock position will, on the basis of the foregoing estimates, be a total of 210 million bushels equally divided between U.S.A. and Canada.

Since an essential part of any scheme must be effective cooperation of the

European importing countries, it is felt that even if higher prices cause some diminution of demand in the Far East, yet total world import demand should be taken as 800 million bushels instead of 750 million bushels.

Each of the four countries agree to bring into effect a reduction of production of wheat to the extent of 15%.

The position of each country in 1934-35 is estimated to be as follows:

Australia 15,000,000 acres at 12.8 bushels=192,000,000 bushels less 15%=163.4 bushels less domestic consumption 50,000,000 bushels leaves an export quota of 113,000,000 bushels.

Argentina 20,000,000 acres at 12 bushels per acre=240,000,000 less 15%=214 million bushels, domestic consumption 90 million bushels=export quota 114,000,000.

Canada 26,300,000 acres at 17.24 bushels per acre=453,000,000 less 15%=380,000,000 bushels. Domestic consumption 117 million and export quota of 263.

Other Exporting Countries. 75,000,000 bushels.

The total of the above allocations amounts to:

Australia	113 million bushels
Argentina	114 " "
Canada	263 " "
Other exporters.....	75 " "
	565 " "

U.S.A. is estimated in 1934-35 to have the following position: 62,400,000 acres at 13.1=816 million bushels; less 15%=694. Domestic requirements 610 million bushels, and export quota of 84 million bushels.⁴

The addition of the U.S.A. export figure gives a total export from new 1934-35 crop of 649 million bushels.

With a world import demand of 800 million bushels this leaves a total of 151 million bushels to be divided between U.S.A. and Canada on an equal basis for the reduction of surplus stocks.

The deduction of 151 million bushels from the 204 million bushels surplus total at the end of 1933-34 leaves at the end of 1934-35 a total of 53 million bushels or 26.5 million bushels in each country.

This is the Agreement of 30th June, 1933.

R.B.B.	[R. B. Bennett, Canada]
F.E.M.	[Frederick E. Murphy, United States]
T.A.LeB.	[T. A. LeBreton, Argentina]
F.L.Mc D.	[F. L. McDougall, Australia]

⁴ The figure accepted by the United States was 90 million bushels. [Footnote on advance copy.]

While the foregoing statement represents the basis of agreement between the four great exporting countries, the changes which have taken place in the world wheat situation since June 30th, 1933, render necessary a series of adjustments:

The main changes in the situation are as follows:

1. Owing to highly favourable weather conditions in Europe and to reports of good crops of wheat in the extra European importing countries the world demand is now assumed to be 560,000,000 bushels in place of 750,000,000.

2. The relative failure of crops in North America have resulted in the following changes:

The Canadian crop is now estimated at 300 million bushels which after allowing for domestic requirements leaves an exportable surplus of 183,000,000 bushels. The figure of 75,000,000 bushels allowed to meet the requirements of other exporters has to be amended upwards to 100,000,000 bushels.

The 1933 crop in the U.S.A. is now estimated at 500,000,000 bushels. The estimated surplus stocks in the U.S.A. are now taken as being 261,000,000 instead of 240, while those in Canada are taken as being 179,000,000 in place of 140,000,000.

In order to meet the altered situation the four oversea exporting countries are prepared tentatively to adjust their respective allocations in the following ways.

The U.S.A. will accept an export quota of 45,000,000⁵ bushels being roughly 8½% of the estimated world import demand.

Canada will receive an export allocation of 200,000,000 bushels.

The position in regard to Argentina and Australia is as follows:

These countries have been allotted export quotas for the crop years 1933-34 and 1934-35 of 258,000,000 bushels in the case of Argentina and 255,000,000 bushels in the case of Australia.

Since it is impossible to estimate the actual crops in the Southern Hemisphere for at least two months, and since present reports of crop growth are not wholly favourable in either country, Argentina and Australia are prepared to undertake not to export more than for Argentina 110,000,000 bushels and Australia 105,000,000 bushels of the above export quotas prior to July 31st, 1934.

The Argentine Delegation declared that they subscribed to this agreement on the understanding that the distribution of the surplus export of the harvest of 1933-34 was that already fixed under letter (b) of the Draft approved by the exporting countries during the Economic and Monetary Conference;

⁵ Originally typed at 47,000,000 but altered to 45,000,000 by Bennett on signing. See final paragraph. [Footnote on advance copy.]

but up to the 31st July, 1934, the exports would not exceed 110,000,000 bushels. The balance would be exported during the following months, and, if necessary, would be added to the harvest of 1934-35: which exportable balance is fixed at 108,000,000 bushels until the end of this Agreement.

This note of agreement between the Oversea Exporting Countries is initialled on the understanding that the export quota of the U.S.A. for the crop year 1933-34 is 47,000,000 bushels.

R.B.B.
F.E.M.
T.A.LeB.
F.L.Mc D.