

CEREALS SUBSTITUTES

The Commission of the European Communities has just informed the Director General of the General Agreement on Tariffs and Trade (GATT) of its decision to invoke a provision in the General Agreement (GATT article XXVIII) which allows contracting parties to renegotiate their concessions subject to certain conditions of compensation. The intention is to open negotiations on the stabilisation - not the prohibition - of imports into the Community of corn gluten feed (CGF) and other corn based by-products. The Community proposes that this should be achieved through a temporary and partial suspension of the existing tariff concessions on these products, by the establishment of annual tariff and levy free quotas and with appropriate compensation. This does not mean that the Community is taking any immediate unilateral action; it is seeking a negotiated settlement with its major supplier and is willing to offer appropriate compensation.

This measure has to be seen in the framework of the far-reaching decisions recently taken by the Community in order to reform the CAP and which will result in drastic limitations of financial support for its farmers, cutting back on milk and other surplus production and bringing its own grain prices close to those of its competitors. These reform measures represent a contribution to a better balance of supply and demand on world markets which should be of benefit to all farmers in all trading nations.

Soaring imports of these products - particularly CGF which has risen from under 700,000 tons to some 3 mio tons since 1974 - have displaced grain in animal feed rations in the Community, with the result that increased quantities of grain have been forced on to world markets. CGF is a by-product of the corn starch industry and, particularly, of rapidly expanding corn sweetener production which has been able to take advantage of US support arrangements for its beet and cane sugar producers.

Increased availability of CGF and other by-products within the Community at low prices has not only displaced grain, but also contributed to surpluses in the livestock sector, especially of dairy products.

For further details, see P-8 of January 1984.