*McCarthy* thought the U.K. traders did not care much what the price was as long as it was stable. This was why they favoured an agreement. He went on to say that he agreed that a lower price would not really move more wheat as a whole; however, Australia would sell more at the expense of France and the Argentine.

*Mr. McNamara* reported that there was a division of opinion in Canada as to whether the IWA had outlived its usefulness. There would be support for an agreement only if the terms were realistic. It must control about two-thirds of the total world trade in wheat. We would not be prepared to consider a lower minimum price than $1.55. This had been accepted by the importers in the last negotiations without much debate, in the light of production costs and other factors. We recognized that it would not be possible to keep the present maximum price. We would accept a lower figure; how low might depend on the term of the agreement. In a short agreement (3 years) we might go as far as $1.90, but not in a longer agreement.

*Mr. Sharp* added that when he had talked with Sir Frank Lee and Sir Alan Hitchman in December they had stressed the importance they attached to the principles they had put forward at Geneva, especially price flexibility. He had replied that if this meant we should go to the floor in present circumstances we could not accept such an interpretation. We would contract to deliver at the maximum in exchange for the right to make a call at the minimum but the decision as to what price to charge in between, or when to make a call, would be our concern.

He had also pointed out that $1.55 at Fort William was not a remunerative price generally, although it might be if farmers could keep getting yields of 20 bushels an acre and could sell all they produced.

Mr. Sharp added that the nature of the so-called "deal" between Canada and the U.S. was that both countries had decided to keep some stocks off the market. But if we went to the minimum we would not really sell any more wheat, and we would still have to decide whether to hold stocks. The logic of the U.K. position was that when the IWA price was at the minimum, the non-IWA price should be below it; i.e., there should be competition until the market collapsed.

*McCarthy* replied that this was why the question of quantities was so important: if enough wheat was covered by the Agreement the non-Agreement market would be unimportant.

*Mr. McLain* was inclined to agree with Sir Edwin that the U.K. were right in supposing that it was originally contemplated that in a situation such as the present the price would move to the minimum. He agreed that the importers were likely to insist on a statement on this point by the exporters.

*Mr. Sharp* suggested that it could be argued that, if the U.K. view were accepted, when the situation improved the price should immediately swing to the maximum. Indeed the U.K. had argued strongly in the last negotiations that prices would never be in between the maximum and the minimum but would swing right from one to the other.

*Mr. McNamara* stressed the importance of avoiding any discussion of lower price levels which might lead buyers to hold back. The Agreement after all was of limited value.

*Sir Edwin McCarthy* replied that the Agreement was rather more important for Australia. If, however, Canada and the U.S. were convinced they could hold the line on the present basis the Canadian attitude was justified. In any case Australia would not "do anything foolish" at Geneva.

*Mr. Hughes* indicated that the U.S. (like Australia) would probably be ready to make some concession on the minimum price.