

we should go to the floor. The decision whether to make a call at the floor was entirely ours to make.

The U.S. officials reported that there was a belief in the U.S. that the conclusion of an Agreement would be impossible unless the floor was lowered. They also said there would be some desire in the U.S. to accept a lower minimum, because of the present large stocks. (They mentioned \$1.40 as a possibility). They wanted to have the Canadian view before further consideration was given to this in Washington. They thought it might be hard to defend the same floor price that had seemed reasonable three years ago.

Mr. McNamara replied that a good case could be made for retaining \$1.55 on these grounds:

(i) Importers were buying wheat at higher prices than \$1.55 and not complaining; nor were they getting comparable wheat below that price from other countries such as the Argentine; and

(ii) The cost of production had certainly not fallen during these three years.

Finally, *Mr. McNamara* emphasized that we regard the minimum as something to resort to only if the movement of wheat in international trade is abnormally small.

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*Procès-verbal d'une réunion avec les fonctionnaires
des États-Unis et Australie
sur l'accord international sur le blé*

*Minutes of Meeting with United States and Australian Officials
to discuss International Wheat Agreement*

CONFIDENTIAL

Ottawa, January 20, [1956]

Mr. McLain opened the discussion by explaining that opinion in the United States was divided on the desirability of a lower minimum. With the present surplus there was a case for lower prices, yet it had proved possible for the exporting countries to hold the line fairly well, and costs of production had risen if anything. If Canada and Australia were very anxious not to see a significantly lower price, and would not want an agreement on such terms the United States would like to know.

Sir Edwin McCarthy replied that Australia would not accept a lower price unless the quantities were substantial (e.g., unless the U.K. joined with its earlier quota). He indicated that in such case Australia would not be willing to go down more than ten cents. He said that as long as the U.K. was paying its own farmers 16/- (about \$2.25) Australians would not see any reason why their own price should be much below the present minimum.

When asked whether Australia would be willing to make a call at the new minimum he replied that it would if necessary; but he did not think it would be necessary. Australia would, however, be willing to bring its prices down to the new minimum (if it was lower) if this was necessary to do business. He thought the U.K. expected that the price would come down to the new minimum under a new agreement. The U.K. would not consider it within the spirit of the agreement for the exporters to keep the price above the minimum in present circumstances. They would probably seek a commitment on this. He personally thought they had a case.

McLain commented that he thought the U.S. would not give any such commitment; if they did, no wheat would be sold until they went to the new minimum.