

The International Wheat Agreement is in principle a multilateral contract among a group of wheat exporting and importing countries. There are no restrictions on exports. Importing countries, however, agree to purchase certain amounts of wheat at a price above a stated minimum, and exporting countries agree to sell certain quantities at a price below a stated minimum. The successful operation of the agreement has depended heavily upon United States and Canadian policies. The U.S. domestic price and the international market price of wheat were both above the wheat agreement price range between 1949 and 1953. Beginning in 1953 the international market price declined and the wheat agreement price was increased so that while the U.S. domestic price has remained above the agreement price range, the world market price has been within the range and has been relatively stable.⁵

The coffee agreement of 1960 includes only producing countries in Latin America and Africa. It specifies export quotas and is designed to halt price declines by limitations on supply. Negotiations are underway to broaden the coffee agreement to include consuming as well as producing countries. The U.S. administration has indicated agreement in principle to such an arrangement.⁶

2. *Evaluation of commodity agreements*

International commodity agreements tend to suffer from a confusion of objectives, are difficult to negotiate, and frequently break down as a consequence. The usual rationale for such agreements is the elimination of short-term price fluctuations which, as has been indicated, serve no basic economic purpose and frequently result in a misallocation of resources and hardship on either producers or consumers. Ideally, commodity agreements should be designed to eliminate wide price fluctuations, while permitting price changes which reflect long-term or fundamental shifts in demand and supply conditions; they should not seek to stabilize or fix prices for long periods of time. Rather they should seek to prevent prices from changing by more than say 5 to 10 percent from the average level of prices, say over the previous 2 or 3 years. In practice, however, international commodity agreements have sought to maintain a more or less fixed floor on prices and, even where a serious attempt is made to avoid increases in prices above a certain level, the tendency is to seek an average level of prices above that dictated by long-term demand and supply conditions.

It may, of course, be argued that the objective of maintaining a "fair" price rather than one which seeks to iron out the peaks and the troughs, without interfering with long-run market forces, is a quite proper objective. Indeed, this is the objective of national agricultural price policies in many countries, including the United States. However, groups of countries which are parties to an international agreement, or even international organizations designed to administer international commodity agreements, lack the power over production and investment in new capacities that are available to national governments. Individual members of the agreements may observe export quotas for a time but continue to pile up stocks of coffee, cotton, or other commodities which hang over the market and constitute a con-

⁵ See International Financial Statistics, vol. 14, No. 7, July 1961, p. 20.

⁶ "World Economic Survey, 1958," op. cit., pp. 112-130, for an examination of these agreements and an evaluation of commodity agreements in general.