MAKING DECISIONS ON SPECIAL EXPORT PROGRAMS

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I have been asked to discuss some of the principal governmental relationships involved, and how major decisions are made, in our agricultural export programs. This discussion will illustrate the importance of a statement made at the 1953 National Agricultural Policy Conference: "All evidence indicates that agriculture currently needs to reappraise its political effectiveness."

The farm export programs with which we are concerned are:

Public Law 480

Title I	Sales for local currency
Title II	Government to government donations
Title III	Foreign donations
Title III	Barter
Title IV	Long-term dollar sales

Section 402, Mutual Security Act
Export subsidies
Local currency derived from the above

The primary U. S. agencies which are involved in these programs are:

Department of Agriculture
- Foreign Agricultural Service
- Commodity Stabilization Service (including CCC)
- Economic Research Service

Department of State
- Various "regular" offices
- International Cooperation Administration (to become part of Agency for International Development)

Office of the President
- Food for Peace
- Bureau of the Budget

Treasury Department

Local Currency Users
- Defense Department; Commerce Department; Health, Education, and Welfare Department; Export-Import Bank; U. S. Information Agency; National Science Foundation; Library; Department of Agriculture; and others.

Agriculture, Foreign Aid, and Appropriation Committees of the House and Senate

In the late 1940's some members of Congress and the Farm Bureau urged that a certain proportion of the Marshall Plan dollars be earmarked for farm products. While rigid procedures were not established, pressure was maintained to give special consideration to requests for food from the recipient nations. Section 402 (formerly 550) of the MSA (Mutual Security Act) is in direct line with this effort. In 1954, Section 402 required that the administrators of the MSA use at least 350 million dollars of the appropriated amounts for exporting U. S. farm products. This represents the high point. Since then, the amount has gradually been reduced, to zero in 1961-62, partly because P. L. 480 largely replaces it and partly because less attention was paid to agricultural pressures. Exports of farm products were not limited to surplus commodities. Decisions on this program were largely made in a small section of the ICA (International Cooperation Administration), with annual reviews by the Foreign Aid and Appropriations Committees of Congress.

The main products involved in P. L. 480 have been wheat and cotton, which have constituted two-thirds to three-fourths of the total. In the early years the proportion was smaller, and some nonsurplus products were included. In recent years feed grains, rice, oil crops, and powdered skim milk virtually complete the list. Section 402 of the MSA has put most emphasis on cotton, then wheat and oil crops. The third program, export subsidies, is somewhat broader. While wheat and cotton are important, feed grains, rice, tung oil, dry milk, cheese, butter, and dry beans are also included.

The authority in P. L. 480 is divided. Originally, in 1954, it was clearly divided, with Title I going to the FAS, (Foreign Agricultural Service), USDA; Titles II and III, donations, to ICA; and Title III, barter, to the CSS (Commodity Stabilization Service). Title IV did not exist at that time.

Between 1954 and 1957 several complications developed. First, the Treasury became interested in stopping Title I sales to countries with strong currencies that were able to buy for cash. The USDA also became persuaded that this was an appropriate means of supporting dollar sales. Second, the ICA had a number of "special aid" countries in which it wanted to make substantial and integrated plans, and the USDA agreed to give the ICA a primacy of planning. Third, the USDA designated the availability of commodities for Title II and Title III donations. Fourth, the Bureau of the Budget, with help from other agencies, was able to cut back or cut out the local currency sale of nonsurplus commodities. Fifth, as protests mounted from foreign countries, and as U. S. exporters lost commercial sales, the USDA cut back on barter trade and agreed to diplomatic clearing through regular State Department procedures.

These changes led to the creation of an interagency committee chaired by a representative of the USDA which reviewed all Title I proposals. Such departments and agencies as Agriculture, State, Commerce, Treasury, Defense, Export-Import Bank, and the ICA were represented. Usually the USDA made the proposals. Unreconciled issues were carried over to the next week and explored further, sometimes at higher levels. The appointment of Don Paarlberg as Food for Peace administrator provided a White House office for the resolution of such issues.

In contrast, Title II and Title III operations were primarily ICA decisions, from 1954 on, even though the Title II money came from P. L. 480 in the same way as Title I, and Title III donations became CCC losses for the indicated year.

It may appear that the USDA was hemmed in by other agencies while the ICA had substantial freedom. However, Title I—under USDA control—was 90 percent of the program. Moreover, P. L. 480 itself was a substantial break-through, representing a program which agricultural groups had wanted, and the State Department had opposed. Also in 1954 control over the agricultural attaches had been transferred from the Department of State to the USDA.

The agricultural attache abroad helps the foreign country to develop the original request on Title I and Title IV; the ICA has responsibility for Titles II and III. However, the ICA in Washington requests recommendations from its foreign office so that its representative on the interagency committee has official views as does the Department of State. All major proposals have both Embassy and ICA recommendations. A requesting country may contact the major agencies in Washington—Agriculture, State, ICA, Treasury, Food for Peace, and if possible, the Office of the President. Small programs within existing policies usually are expedited through the USDA.

As local (foreign) currencies accumulated in 1955 and 1956, a new group of agencies came into play—many in efforts to finance programs abroad. The Treasury and the Bureau of the Budget wanted to save dollars by spending local currencies for local military support, representation, rent, local staff, travel and subsistence of official representatives, defense housing, etc. (The 1961 amendment allows local currencies to be sold to tourists for dollars.) Representative Cooley, Chairman of the House Committee on Agriculture, the Export-Import Bank, and the Department of Commerce wanted to help private business abroad through loans at modest interest rates. The USDA wanted to study ways to expand markets, increase farm product utilization, and pursue several lines of technical research. The U. S. Information Agency had many kinds of programs it wanted to expand. During the late 1950's many of these were brought under the Congressional appropriation process at the request of the Bureau of the Budget, largely to shift the currency allocation decisions from administrative agencies to Congress. While the resulting decisions also might be wrong, no appeal was possible!

These export subsidies long have been permitted under the CCC charter, financed out of a capital loss and annually reappropriated. The decisions have been made on a commodity by commodity basis within the CSS, although the FAS has been consulted from time to time. The increase of these subsidies, both in number and amount, occurred largely during the 1950's. The USDA, the Department of State, and other agencies have been involved in a number of international conferences on trade policy, which developed certain agreed limitations on a nation's prerogatives. Export subsidies then had to be justified within this framework.

Export subsidy decisions were transferred to the FAS in the spring of 1961, thus taking ASCS (Agricultural Stabilization and Conservation Service) largely out of the disposal business. The FAS, however, has had difficulty, along with all of the USDA, in maintaining the same role in international trade policy as formerly. To the chagrin of Secretary Freeman, the top level Export Advisory Committee was reconstituted without representation from the USDA. Protests led to the inclusion of the USDA as a member. This experience emphasizes the statement mentioned in the opening paragraph.

The Food for Peace group and the new Agency for International Development have conflicting philosophies about the role of food. This came out clearly in the discussion of whether Food for Peace would be an integral part of the AID (Agency for International Development) program or a separate entity. In 1959 President Eisenhower established a small Food for Peace office in the Executive Office of the President, with Don Paarlberg in charge. My impression is that the administrative reason (and there were political-public relations reasons also) was to provide a means of using the power and prestige of the President to resolve interagency conflicts.

President Kennedy inherited the same small budget, but he issued an executive order appointing George McGovern as a special representative of the President, with a larger coordinating role in the Food for Peace program. The office was expanded from about one and a half people to about 15, originally through the loan of individuals from other agencies. The function was conceived to be expediting decisions, but it is more. It also involves gathering and promoting new ideas whereby food can be more effectively utilized and, using presidential prestige, encouraging appropriate agencies to include such programs.

At the same time as Food for Peace was being expanded, George Ball was promoting a new organization for foreign aid activities (now AID), and Willard Cochrane was proposing a reorganization of the USDA. In the new AID program all developmental activities were to be integrated. At one time these activities included those of the ICA, U. S. Information Agency, Development Loan Fund, Peace Corps, Food for Peace, local currency loans of the Export-Import Bank, some regular State Department activities, and the donation of nonagricultural surpluses. This approach was strongly supported by Walter Rostow, foreign aid advisor to the President, and by Kenneth Galbraith, itinerant presidential advisor. A single, comprehensive, integrated plan was to be prepared for each country's development and all aid measured against this plan. Food was to be a tool, but only a tool, for development.

In the interagency rivalries surrounding the new AID program, the USDA was completely omitted for some two to three months, on the basis that it was not involved as a development agency. McGovern, of Food for Peace, was on the steering group and retained White House status. The USDA helped keep Food for Peace from being transferred. The USDA and Food for Peace found common cause both in bureaucratic positions and in the philosophy they supported. Even so, and despite the strong interest of the Congressional Agricultural Committees, the relations of the USDA and AID are still amorphous and may be resolved in ways contrary to some USDA interests.

McGovern and the USDA argued that food is more than a tool for development, having moral, political, and foreign policy purposes which transcend development as such. Moreover, if broad humanitarian goals overseas are to be more fully implemented in the Kennedy administration, our agricultural production should be adjusted in line with overseas needs for a more nutritious diet. For example, an increase in dry milk production is needed. Any such revision of policy in two major agencies requires reconciliation at the White House level, since the Bureau of the Budget and the Treasury are strongly interested in limiting costs.

Perhaps it is significant that the Food for Peace office has had no great success in establishing a separate budget, and its staff has decreased to about six people, as loaned personnel returned to their agencies.

In reviewing the past eight months, policy changes are evident in the operations of P. L. 480 both in the ICA and the USDA. The ICA and the USDA have agreed to try to provide a wider variety of food under Title III donations, primarily fats and oils. The requests of the food distributing organizations helped initiate the policy change. New school lunch programs have been negotiated. Title II "economic development" contracts utilizing food as partial wage payment have increased substantially. This is an acceleration of a policy begun in July 1960, and given greater emphasis by the ICA. The FAS made a preliminary study of world food deficits and is completing a more comprehensive analysis. This is one step toward consideration of ways to convert the present surplus commodity mix into a bundle of commodities more useful nutritionally. Clearly this approach, if implemented, affects much of the price interrelationships of present agricultural policy.

Finally, we turn to relations with Congress. The White House asked for P. L. 480 budgets separate from the AID budget. A request was made for four years; a three-year authorization of 4.5 billion dollars and 300 million dollars was made for Title I and Title II respectively. While most AID supporters urged the complete integration of Food for Peace into the AID budget, the decision was to keep them separate. In part, this reflects the conflict between food solely as a means of development and food as a humanitarian and political force as well. Mostly, however, this decision appears to have been made so that this phase of the program could be submitted to the Agricultural Committees of Congress for consideration rather than presenting a combined much larger package to the Foreign Aid Committees. The White House strategists apparently did not believe that an annual 1.5 billion dollars of farm products at CCC prices (or 1 billion dollars at world prices) could be added to a 4 plus billion dollar foreign aid program. They feared, and I agree, that the result would have been a foreign aid appropriation much like the present one with perhaps 1 billion dollars earmarked for farm products, resulting in a smaller appropriation both for P. L. 480 and for foreign aid.

In the Conference Report on the Agricultural Act of 1961 the following statement is made relative to the extension of P. L. 480.

> . . . to reemphasize this committee's consistent position that . . . the basic purpose of the statute is that of an adjunct to our domestic agricultural programs to provide an orderly and beneficial means of disposing of commodities. . . .

In the appropriations report the following statements are made:

> The tendency of the general public and the press to charge the cost of these (export programs) to American agriculture, is unfortunate. . . . It is hoped this proposal (to designate the funds as foreign assistance programs) will be the first step in making a clear distinction between Commodity Credit Corporation price support operations and foreign assistance programs financed through the Corporation as a matter of convenience.

Obviously, the Agricultural Committees are becoming restive under the size of the budget "charged" to agriculture and would prefer to see P. L. 480 charged to foreign aid than to agricultural programs. It is also significant that while the executive branch and economists generally have been pressing the development aspects of food, important Congressional committees re-emphasize the disposal concept. "Too much" transfer of authority out of the USDA into AID programs certainly will raise questions in Congress. These considerations bring us back to our opening theme, quoted now more fully:

> All evidence indicates that agriculture currently needs to reappraise its political effectiveness. Not only is it an industry which has been relatively declining in national political power, but it has been operating too much as an independent segment of political life. The ideological framework and political techniques of the nineteenth century rural man are no longer appropriate.[1]

For my appraisal of the effectiveness of our agricultural export programs, see the book *Policy for Agriculture in the 1960's,* published by the Committee for Economic Development.

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[1] Ernest A. Engelbert in *Increasing Understanding of Public Problems and Policies, 1953,* Farm Foundation, Chicago, p. 148.