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UNITED STATES DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service

OUTLOOK FOR EXPORTS OF U. S. FARM PRODUCTS

Talk by Raymond A. Ioanes
Administrator, Foreign Agricultural Service
at the 43rd Annual Agricultural Outlook Conference
Washington, D.C., 2:00 p.m., Monday, November 15, 1965

We live in an expanding world in which each year we have more people, more economic activity, more international trade in general, and more agricultural trade in particular.

The outlook for continued large exports of our farm products is excellent. During this 1965-66 fiscal year, we believe they will advance to a new record of \$6.2 billion.

And I think the export direction will continue to be upward. Overseas demand is growing, we have the products, the quality in general is very good, and our producers and exporters are improving their export capabilities.

Looking ahead a few years, there is reasonable possibility of moving up to a new \$7 billion export plateau and, in a few years more, even an \$8 billion plateau.

Exports are today a highly important part of our domestic agricultural outlook. Wheat, soybeans, and feed grains are examples. All are members this year of the exclusive Billion Dollar Export Club. When we have exports this large, they become an important influence in all our production and marketing decisions.

Export statistics like these are out front for everyone to see, but what we are doing here today -- in the spirit of this Outlook Conference -- is to look behind the statistics. What's the story behind the big spurt in feed grain exports? And how do major international developments translate into forces affecting our agricultural exports?

Many of us have taken part in this Outlook Conference for a number of years. In our foreign trade review, I don't recall any two consecutive years which were alike. In the world of agricultural exports there is no Sea of Tranquility, and I might cite four current examples that bear this out:

One is the world's growing appetite for the good things of life. People want more meat, eggs, and dairy products. This development has been coming about ever since wartime recovery but is now coming into sharp focus. This appetite is the primary reason for the spurt in our exports of the raw materials that go into the world's animal industry -- namely, feed grains.

A second development is the constant change that takes place in world political arrangements. Here we find that political action and economic consequence are often bound together. Rhodesia is a current example. As a result of Rhodesia's recent declaration of independence, the British government has imposed certain economic sanctions, including the banning of imports of Rhodesian sugar and tobacco. This move has many important trade implications, including for American agriculture. The British presumably will have to find alternate sources for that part of their tobacco which has been coming from Rhodesia -- around 100 million pounds of flue-cured tobacco a year, ranging in value from \$60 million to \$75 million. The entire development is regrettable and we hope a solution will be found. It is not the way we seek to expand our own export business. Nevertheless, it is a current fact which may affect our export outlook.

A third development has to do with the balance of payments. We have recognized for many years the importance of exports to our farmers -- one acre in four finding its market overseas. We have recognized the value of export income to our towns and cities. But only in comparatively recent times have we fully recognized the strong support given to our precarious balance of payments position by the dollars our agricultural exports bring back to the United States.

A fourth development, and perhaps this overshadows all the rest in current interest, is East-West trade. I know we all look forward to the views of our next speaker on this subject.

The emergence of the Communist countries as large buyers is a key factor in today's world grain trade. Since 1960, when this large scale buying began, Eastern countries have bought about 2.5 billion bushels of wheat from the West. We estimate that as much as 40 percent of the world's commercial movement of wheat this year is going into Communist areas.

When the Communists made their first big purchases of wheat in 1960, the popular attitude was that this was single-shot buying. Many people figured that neither the Soviet Union nor Eastern Europe nor Communist China had the finances, or the desire, or the need to keep on buying, year after year. But this is the fifth consecutive year that they have been buying heavily from Western suppliers, mainly Canada, Australia, Argentina, and France. These sales, more than any other single factor, have permitted our competitors to sell their expanded production and avoid building surplus stocks.

In my opinion, it should come as no great surprise if the Communist countries remained in the grain market, perhaps up and down but in, for some years to come. Their grain lands frequently are high risk areas, their farmers lack incentive to get the most from the land, their plans for improvement are slow in being applied, and their people have a growing appetite for more and

better food. I think there is a strong possibility that they will have no choice but to be large-scale importers in most years of grain from outside countries.

How much does the United States share in this market?

As a matter of national policy we do not, of course, trade with Communist China.

We did sell 65 million bushels of wheat to the Soviet Union in 1963-64. We have not sold any since.

Also, we sold 45,000 tons of our soft wheat this month to East Germany. But this was an unusual circumstance. East German bakers were running short of cake flour for baking Christmas cakes. Their need was urgent enough that they were willing to pay the higher cost entailed in buying our wheat and also supplies of this kind of wheat from other areas are limited.

Our active business with the Communist area is in feed grains. The cargo preference provision is not applied to feed grains, and we are selling them in large volume to East Europe. So far this fiscal year we have sold over 400,000 tons of feed grains to the area. These sales may reach a million tons.

What we're selling is mainly grain sorghums, and the principal buyers are Czechoslovakia, Bulgaria, and East Germany. There are good sales possibilities in Poland and Hungary as well.

The Commodity Outlook

I would like to return now to the overall export picture. This is, of course, not a single picture but a mosaic. I believe the trade statistics people in the Economic Research Service list more than 400 agricultural products in their export tabulations, and we derive the total picture by piecing together these separate contributions.

As a prelude to the separate commodity discussions that start tomorrow, it may be useful to review the export prospects of a few of the leading commodities.

Wheat

Exports of wheat, though smaller than two years ago, are conservatively forecast at 750 million bushels. Exports during July-September were running 12 percent higher than a year earlier, and most of this increase was in commercial sales for dollars.

Food for Peace is still the major export outlet. Last year we exported 728 million bushels of wheat, 22 percent commercial sales, 78 percent Food for Peace.

As a matter of fact, about 60 percent of the Food for Peace program is wheat. When we're talking of food aid to India, for example, we're talking about wheat -- about two shiploads a day. Obviously, wheat has come to play a special role both in our foreign policy programs and in the policies of other free world governments as they make their daily decisions.

Feed Grains

Feed grains are this year's glamour crop. If you can call a crop a mirror, this is the crop that mirrors the world's urge to live better. Out of feed grains come the meat, milk, eggs, and other animal products that people buy more and more of, as rapidly as they can afford it.

Our feed grain exports have moved up from about 7.7 million tons a decade ago to about 21 million tons. I think we all remember when our corn was mostly fed out on our farms and grain sorghums were a crop most farmers weren't even acquainted with. Now both corn and grain sorghums are moving, shipload after shipload, across the Atlantic and Pacific, into the Mediterranean, the North Sea, and anywhere else that people are expanding their animal agriculture. And this is mainly commercial dollar-earning business.

We expect the value of exports of feed grains and products in fiscal year 1966 to total somewhat over \$1.1 billion, an increase of 16 percent over last year and a new record.

Rice

We expect to see a new record also in rice exports. The export value for this fiscal year is projected at \$231 million, a 14 percent gain over last year.

Rice, like wheat, plays an important part in Food for Peace. Also, rice plays a strategic role in our defense operations, as shown by the very large amounts of our rice that have been moved into South Viet Nam to help feed the army and the civilian population.

But our big increases in rice exports are being made in our commercial sales. We have excellent rice, its reputation continues to grow, and it is commanding a premium. During the past five years, our commercial exports of rice increased 160 percent.

Cotton

The situation in cotton has been difficult. Our exports of cotton are projected at 4.2 million bales for the fiscal year (4 million, marketing year). This would be down somewhat from last fiscal year's 4.5 million bales (4.1 million, marketing year). In value, we look for cotton exports to reach \$500 million.

The new cotton program will come into play next August 1, and beginning then we expect our improved competitive position will enable us to pick up some of the shortfall now being experienced.

It had become obvious that our previous cotton program was not getting the job done and fundamental changes were needed. As the President said when he signed the Food and Agriculture Act of 1965, the new cotton program will strengthen the competitive position of our cotton in world markets and help bring stability to those markets. At the same time, it is designed to protect the income of our cotton farmers, reduce Government costs, and reduce our surpluses. The new program will be discussed in detail in the commodity session on cotton on Wednesday and I know many of you will attend.

Tobacco

We look for exports of U.S. tobacco this fiscal year to move up to about 513 million pounds, which would be 33 million pounds above last year.

Our flue-cured crop this year is of much better quality than last year. Our tobacco, of course, is the world's best and West Germany and Japan in particular continue to buy more of it. Also, production in Rhodesia, our big competitor, was down this past season and her current political difficulties can substantially affect her trade.

Oilseeds and Products

We expect another record year in exports of oilseeds and their products. We're speaking here mainly of soybeans, soybean meal, and soybean and cottonseed oil -- they make up almost all of the export business.

We have projected our exports of oilseeds and products to about 1 billion 130 million dollars in fiscal year 1966, which would be up again from last year.

These products are moving mainly through commercial sales. We expect to maintain Government programming while making some gains in dollar sales despite somewhat lower prices. Soybeans, like feed grains, reflect the desire and ability of the world's people to live better. As long as the affluence of the developed areas like Europe and Japan keeps growing, we can expect our soybean exports to expand also.

I see a growth trend in soybean exports for many years ahead. Our long-time competitors are the Communist Chinese. I think they're going to have their hands full feeding their own population.

Dairy Products

We look for continued large exports of nonfat dry milk this year, and the value will be up because of higher prices. However, the export total for all dairy products may be \$200 million as compared to \$226 million last year.

Our nonfat dry milk has emerged in a new role -- an important element in livestock feed, particularly for veal calves. The Dutch and Italians are buying large amounts for this purpose.

Poultry Products

We haven't yet recovered from the set-back in poultry exports that took place three years ago when the European Common Market greatly increased its import levies. We are finding markets outside the European Economic Community, in a number of countries. In order to keep selling in Austria and Switzerland, however, we have had to initiate export subsidies on chicken to regain our share of those markets that was lost when Denmark, France, and the Netherlands began programs of subsidizing poultry meat exports. We took this problem before GATT but found no answer. The only effective answer was to meet this unfair competition through subsidies, which we are now doing. We stand ready to remove these subsidies whenever our competitors revoke theirs.

Our exports of turkeys continue to rise, from 46 million pounds last year to an expected 60 million pounds this fiscal year.

In total, we expect some improvement in the poultry meat export picture, with a projected value of \$60 million this year as compared with \$55 million last fiscal year.

Livestock and Meat Products

There is quite a bit of activity in this area. Worldwide demand for tallow continues strong and it is the largest dollar-earner among our livestock products. Our exports of variety meats -- hearts, livers, tongues, etc. -- continue to go up. There is a growing taste for these products, particularly in Europe. Also, exports of hides show continued gains as people in a number of countries buy more shoes.

Our lard exports have dropped, because of our domestic supply and price situation. Our beef, veal, and pork exports are down for the same reason. We've been continuing to promote sales of our high quality grain-fed beef in Europe because we're hopeful that eventually a market for it will open,

particularly in leading hotels and restaurants. A German importer bought a substantial trial shipment of high grade beef early this month for such outlets in West Germany, and this may be the door-opener for more sales.

Aside from price, we have a problem of differences in sanitary regulations. We think our sanitary standards are the highest in the world but they are not always acceptable in Europe. We hope the growing market for our meat and meat products in Europe will not be impeded by technical misunderstandings. We're doing a lot of work to see that this does not happen.

Fruits and Vegetables

We expect our exports of fruits, particularly fresh fruits, to be up somewhat over last year's total of \$290 million. Exports of vegetables, at \$112 million last year, may be down somewhat.

There continues to be a lot of foreign interest in our fruits and vegetables. One promising development is the fact that our fresh fruits and vegetables have joined the jet age. The transAtlantic airlines dropped their air shipping rates on strawberries from 30 cents in 1963 to 23 cents a pound starting September 1, this year. During the first 10 months of this year, our strawberry growers shipped over 33 freight carloads of strawberries to Frankfurt alone, almost 7 times as much as last year.

Air rates on other fruits as well as vegetables are being dropped January 1 to 16 cents a pound, London destination, 18 cents, Frankfurt, and similar rates elsewhere in Europe. This should bring a big increase in our exports of fresh fruits and vegetables to Europe, particularly during the winter months.

What Lies Ahead

As we noted earlier, the foreign agricultural market is a growth market in which we are doing very well. During the past 10 years, world agricultural trade increased \$9.2 billion. It reached a new high total of about \$31 billion in 1964. While we supply about 20 percent of this world trade, we were responsible for 37 percent of the increase.

We have more than doubled our agricultural exports during the past 10 years and practically all of this increase has been in dollar sales.

The foreign market is going to keep on growing and I am highly optimistic that our agricultural exports can keep growing with it. But our share of the market will not come to us by default. We will have to work for it, just as our competitors around the world are working to retain -- and expand -- their shares of it.

We now have a substantial foreign market development program and we are rather proud of some of its accomplishments. The Department of Agriculture and 47 agricultural trade organizations are carrying out jointly-funded trade promotion projects in 67 countries. Last year the Government and industry together put about \$18 million into this work. Without question this program is making an important contribution to our record export totals.

At the same time, however, we need to look at what the other exporting countries are doing. Australia, with agricultural exports 40 percent the size of ours, is spending more money on foreign market development than we are. The major wool exporting countries, Australia among them, have set up a new export promotion program for wool budgeted at \$36 million a year. The International Cotton Advisory Committee estimates that the manmade fiber producers are spending \$45 million a year in Europe and \$20 million a year in Japan, in their very successful efforts to compete with cotton.

I think one of the serious questions we face in the period immediately ahead concerns the amount of funds and effort our agricultural producing and marketing enterprises -- and the Government -- should expend on promotion work of this kind.

We can start with the premise that market development efforts, properly conceived and directed, do get results. I might cite three examples:

(a) We took part in an international food show in Cologne, Germany, in October and enlisted the participation of 56 U.S. food firms, which in turn exhibited 250 different U.S. food products. Representatives of these food firms met during the show with some 1900 foreign food buyers, sold \$115,000 worth of U.S. food on the spot, and as a result of contacts made expect to fill \$2 million worth of additional orders in the year ahead.

(b) Ten years ago, Japan obtained wheat from us mainly under Public Law 480. Today, Japan is our biggest cash market for wheat. The Department of Agriculture and our wheat marketing cooperators worked very closely together in bringing this about. Through education and demonstration the Japanese, though traditionally rice-eaters, accepted the idea of including wheat products in their diets. Millers and bakers were trained in handling of wheat and wheat products. Trial shipments of our wheats showed their desirable qualities. Reduction of freight rates from the Midwest to West Coast ports helped make our wheat prices competitive. In these and other ways, we built a market in Japan which accounted for 43 percent of all our dollar exports of wheat last year.

(c) With Thanksgiving only a week and a half away, there is the example of turkey promotion in Italy. Italy has emerged as a new and important market. Our sales of turkeys to Italy expanded from about 600,000 pounds in 1962 to 2.8 million pounds last year, and currently are running at twice last year's rate. Part of the background of this promotion is Italy's veal shortage.

Top grade white veal currently retails in Italy for about \$2 a pound; turkey breast, brought in from the United States, retails there for about \$1.25. Italian cooks are being shown that they can make an economical substitution of turkey breast for high-priced veal in some of their favorite dishes, and this alone is one important factor in our expanding sales.

This market development work, as I indicated, is a jointly-funded operation. We insist that every project be carefully conceived and responsibly carried out. Therefore the size of the program and the amount of Government funds we put into it is pretty much dictated by the ability of the private cooperators to manage the work effectively.

We are particularly pleased by the way private firms in the American food industry are rising to the challenge and are putting their experience, money, and manpower into the program. Not only in Cologne last month, but also in Brussels this month, a large number of American food firms exhibited their products in an international trade fair setting, which our trade fair program provided, and in just a few days time lined up a substantial amount of export business. When we have this kind of active cooperation and visible promotion pay-off, we know without question we are getting excellent return for the Government's share of the investment.

As another part of our look to the future, we need to keep an eye on the emerging markets and encourage them to expand. In the world of foreign trade, miracles do happen. We are seeing countries with weak economies gain new strength and begin buying, perhaps not much at first but enough to be worthwhile and enough to hold promise for the future. We've been promoting vegetable oil sales in Iran only four years, but already we're getting substantial results. We've done some promoting of poultry in Chile, and recently because of an unexpected meat shortage, the Government of Chile bought 2 million pounds of U.S. frozen broilers.

Also, we need to keep working on the matter of giving service to our foreign customers. The customer in Cologne thinks he's just as important as the customer in Cleveland. For some of our products, it's a simple matter of our giving the kind of service -- in quality, packaging, or whatnot -- that the foreign customer wants or one of our competitors gladly will do the job instead.

We need to find answers to some new demands being made on us, some we did not visualize a few years ago. I'm thinking now of questions that arise out of doing business with countries that do state trading. The countries of Eastern Europe rigidly control their trade and swing it in any direction that seems expedient. If we are to do business with them -- and we are doing business with them -- how can we persuade them to "liberalize" their trade so that we have some assurance of continuity?

Finally, we must continue to give strong world leadership to the cause of liberal trade. I have observed the ebbs and flows of world trade for a number of years, and the evidence shows clearly that minimum restrictions in international agricultural trade are good for the world and good for us.

Back in 1931-34 when the high tariffs of the Smoot-Hawley Act were in effect, our annual agricultural exports averaged only \$800 million. Today, with tariffs greatly reduced, they are over \$6 billion.

It is true that during these 31 years our agricultural imports also have risen, for we are a good market for the rest of the world. But our agricultural exports have risen much more, and our net earnings through agricultural trade are highly favorable. In 1964 the United States had a favorable merchandise trade balance of nearly \$6.6 billion, and to this favorable balance agriculture contributed more than one-third.

Our premise that freely flowing agricultural trade is a good thing is being challenged on many sides -- not so much directly as indirectly. Some of our trading partners seem to be embarking on domestic programs to achieve greater self-sufficiency. Regional alignments with trade restrictive features have developed.

I think the time is here for us -- and the world -- to accept freely flowing international trade as a practical necessity. Mass production requires mass marketing. Only through mass production and mass marketing can the world's growing numbers of people expect to be adequately fed and adequately clothed in the years ahead.

In conclusion, let me say that exports have become of greater economic importance to our farmers and of political importance to the U.S. Government than ever before. In carrying out these exports, the world each year brings us new problems with which we have to cope. But I am highly optimistic. I think we will cope with these problems as they arise and the exporting of our farm products will continue to be one of American agriculture's great successes.

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