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Government Financing of Farm Exports in the Postwar Period

By Doris Detre Rafler

The extent to which farm exports have received assistance from the United States Government is a subject of continuing interest and controversy. Relative data on a current basis are published in the Demand and Price Situation. This article presents a comprehensive estimate and analysis of Government financing during the post-World War II period. It also discusses the relationship of Government financed exports to total agricultural exports, to the gross foreign expenditures of the United States, and to overall measures of surplus disposal.

THE UNITED STATES Government made $40 billion available as foreign economic aid during the years following the end of World War II. Of this amount more than $13 billion was used to finance agricultural exports.

Most of this aid was on a grant basis. From July 1, 1945, through December 31, 1954, nonmilitary grants by the United States to foreign countries totaled $28 billion. Nearly 40 percent of these grants financed the procurement in this country of agricultural commodities. The total export value of farm products under grant programs may be estimated at approximately $11 billion.

In addition to these grants, postwar United States Government loans and credits totaled nearly $12 billion. Of this amount, approximately $1.3 billion was extended for the purpose of financing the export of United States farm commodities, and another estimated $1 billion was in fact used to buy United States agricultural products.

There is valid and recurrent interest in the extent to which the United States Government has assisted farm exports. Calculations comparing total agricultural exports with those directly authorized under U. S. grants and loans have been used in discussion and testimony relating to foreign aid and agricultural surplus-disposal legislation. The main purpose of this paper is to present in a comprehensive form statistics relating to the nature and magnitude of Government assistance to farm exports and to point out the conceptual and statistical problems involved in such a compilation. In addition, it will be shown that data on Government financed exports have been subject to misinterpretation which arose from four major causes:

(1) It cannot be assumed that without Government financing directly tied to agricultural commodities, the volume of farm exports would have been smaller by the amount of exports so financed.

(2) The value of Government financed exports at times overstates and at other times understates the cost to the United States Treasury of such exports.

(3) Estimates of Government financed exports in many instances do not correspond with recorded exports as published by the Bureau of the Census.

(4) Government financed exports have not in recent years measured the extent of "noncommercial" exports.

Each of these points is discussed in this article.

Nature of Government Assistance

In measuring the role of this Government in agricultural exports two series of data have gained currency. The first includes only commodities

TABLE 1.—*Government grants, United States, July 1, 1945–Dec. 31, 1954*

Program	Total grants [1]	Agricultural exports financed [2]
	Million dollars	*Million dollars*
1. Lend Lease (postwar pipeline)	1, 227	691
2. UNRRA, post-UNRRA and interim aid	3, 443	1, 628
3. Marshall Plan, Mutual Security and other economic and technical assistance	[3] 16, 189	[3] 5, 346
4. Civilian supply	5, 821	3, 290
5. Department of Agriculture donations	148	148
6. Other [4]	1, 299	([5])
Total	28, 127	11, 103

[1] Total grants, less military aid. Data cover all program costs including ocean transport, except that item 3 includes freight subsidies on relief parcels shown in item 5.

[2] Data are on an f. a. s. basis. Including ocean transport, the total for all programs may be estimated at $12 billion.

[3] Including $38 million proceeds of foreign currency sales made available as grant aid, but not including $190 million in such proceeds unallocated as of Dec. 31, 1954.

[4] Includes grants for Philippine rehabilitation, Chinese stabilization, foot and mouth disease eradication, contributions to international programs other than UNRRA, etc.

[5] Not available.

Department of Commerce, Office of Business Economics "Foreign Grants and Credits" (December 1954 quarter); USDA, Statistical Bulletin No. 112, (p. 19, table 17); Records of the Department of Defense, and the Foreign Operations Administration and predecessor agencies.

that move under United States grant aid, and is usually referred to as "Aid Financed Exports".[1] In the aggregate, most of the postwar United States aid to foreign countries was in the form of grants, hence the bulk of agricultural exports financed by the Government received this type of assistance. A comparison of agricultural exports financed by grants with all grant programs is contained in table 1.

Need for grant aid stemmed from the insufficient earning power of foreign countries, the consequent shortage of foreign exchange, and the inconvertibility of most currencies. These same factors were the basis for most of the postwar United States loans and credits, and the more recently adopted programs of the sale of surplus commodities for foreign currencies (most of the proceeds of which have thus far been extended in the form of grants and loans). The other series of data currently published, and referred to as "Government Financed Exports," includes in addition to grant aid, commodities moving under Government loans and credits and sales for foreign currencies.[2] Care should be observed in the use of these terms, especially because of the declining importance of direct grant aid; in 1954–55, for instance, "aid-financed" exports equaled 12 percent and "government-financed" exports 26 percent of total farm exports.

Throughout this paper Government financed exports are defined as those that move under grants, gifts, loans, and credits, or are sold for foreign currencies. The value of the commodities moving under these programs can be related in magnitude both to statistics on the international financial transactions of the United States, and to official trade statistics.

Under this definition, certain other forms of Government export assistance have been omitted, although they result in a drain on the U. S. Treasury and may be significant for other types of analyses. One such item omitted is export subsidies. Part of the United States customs receipts have been used to make payments to exporters covering up to 50 percent of the cost of certain commodities. These payments were designed as

[1] UNITED STATES DEPARTMENT OF AGRICULTURE, FOREIGN AGRICULTURAL SERVICE, "Foreign Agricultural Trade," December 1954.

[2] UNITED STATES DEPARTMENT OF AGRICULTURE, AGRICULTURAL MARKETING SERVICE, "Demand and Price Situation," February 1955.

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[2] United States Department of Agriculture, Agricultural Marketing Service, "Demand and Price Situation," February 1955.

assistance to exports that otherwise would not have taken place.[3] Direct subsidies from special appropriations, are also paid on exports under the International Wheat Agreement.[4]

These direct subsidies are not included in this calculation of Government financed exports because (1) to a large extent they were paid on commodities already included under foreign aid and other programs;[5] (2) the amount of these payments has been excluded from official trade statistics since January 1, 1950; (3) payments under the Wheat Agreement were made as a matter of international obligation even at a time when large quantities of wheat moved at full price.

The other main exclusion from calculations of Government financed exports are the losses incurred by the Commodity Credit Corporation in the export of commodities owned or controlled by it.[6] Export dispositions at a loss—that is under CCC cost—including both sales for dollars and foreign currencies cover a large part of current price-support stocks, with some cotton recently included. It seems fairly obvious that whenever the CCC export price is well below domestic market prices, the Government plays the major role in the export of such commodities.[7] During the last 3 years the aggregate loss to CCC on export operations exceeded all forms of direct subsidization.

These losses are not included in the attached calculations of Government financed exports for the following reasons: (1) They are incurred largely on commodities already included in the calculations under other programs; (2) they are not reflected in the trade statistics; (3) they are perhaps best regarded as part of the cost of the price-support program, rather than as a charge against export assistance and foreign aid.[8]

Dependence of Exports on Government Financing

In the early postwar period, July 1, 1945–March 31, 1948, many foreign countries were recovering slowly from the devastation of the war and import demands were unusually high. Foreign countries as a whole were able to meet, from their own resources, only 60 percent of their dollar requirements for imports of goods and services from the United States. In the case of Western Europe and its dependencies, 40 percent of total dollar requirements were met from current earnings, and 20 percent by the sale of gold and United States securities. The remaining 40 percent of foreign dollar requirements were met through United States grants and loans, and the proportion of such financing for agricultural commodities is estimated at more than half the total imports from this country.

The reason for the relatively high proportion of Government financing for agricultural commodities lay in the nature of the United States aid programs.[9] The UNRRA, post–UNRRA, interim aid, and civilian supply programs were essentially relief operations designed to fill urgent requirements in countries whose resources were most impaired by the war. When human needs are measured on a minimum basis, food occupies a preponderant position. Although UNRRA was

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[3] Such payments were provided for in Section 32 of the Act of August 24, 1935, as amended. (PL 320, 74th Congress).

[4] The International Wheat Agreement Act, as amended (PL 421, 81st Congress, extended by PL 180, 83rd Congress).

[5] Government financed cotton exports in 1945/46, for instance, equaled 60 percent of total exports, but inclusion of quantities moving under subsidies would have resulted in a figure of more than 100 percent. ("The Cotton Situation" May 27, 1955.) Similar duplication, which affects comparability with trade statistics, is the main reason for excluding subsidies from data on Government financing.

[6] The authority for such export sales by CCC is contained in the Commodity Credit Corporation Charter Act, as amended (PL 806, 80th Congress) and in the Agricultural Act of 1949, as amended (PL 439, 81st Congress).

[7] Thus it may be estimated that in 1953–54, 35 percent or $163 million of wheat and flour exports was "Government financed." Actually all of the $450 million of wheat and flour exports were subject to Government export programs involving direct (IWA) and indirect (CCC) subsidization.

[8] In the case of foreign-currency sales under Title I of the Agricultural Trade Development and Assistance Act of 1954, the Act provides for reimbursal of CCC by appropriation of all costs in excess of receipts.

[9] For a description of the aid programs discussed in this paper see U. S. DEPARTMENT OF COMMERCE, OFFICE OF BUSINESS ECONOMICS, "Foreign Aid by the United States Government 1940–51" (Washington, 1952) and "Foreign Grants and Credits by the United States Government" (Washington, issued quarterly).

in fact an international program, the United States met 72 percent of the total cost of its operation. Many of the other contributing countries, such as the United Kingdom, were themselves in a deficit position with respect to food. Thus shipments of food devolved largely upon the U.S.[10]

When the European Recovery Program was instituted, the basic relief needs of many European countries were still critical. Agricultural recovery had been impeded by the severe winter of 1946–47 and by drought. In their trade with the United States in 1947, the Marshall Plan countries and their dependencies could finance only 29 percent of their imports from export earnings.[11] The success of reconstruction was predicated on continued shipment of food, because adequate food was deemed essential for the human energy and determination necessary to revive Europe's lagging economy.

As a result, relief-type shipments constituted about two-thirds of the initial phase of the Marshall Plan.[12] The concurrent distribution of civilian supplies by the military, originally designed merely to prevent "disease and unrest," was now directed toward the same purpose. In the case of aid to China, authorized at about the same time, large quantities of food and cotton were programmed in an effort to combat inflation. Without aid financing for these urgent needs, foreign countries probably would have reduced greatly nonagricultural imports from the U. S.

As production in European countries began to recover, their import programs contained a much higher percentage of recovery-type items, such as industrial raw materials and machinery. Furthermore, as their export earnings increased, they could have met all their requirements for United States agricultural commodities with "earned" dollars, and financed the shipment of other raw materials, machinery, and manufactures with "aid" dollars. The reason why a relatively high proportion of aid funds continued to finance agricultural export was in part an administrative matter. The procurement of bulk commodities such as wheat and cotton, involving relatively few variations in grade, made specifications simpler, shipments more rapid, and generally eased the red tape connected with administration of the aid programs.

It is not logical to assume, however, that United States farm exports depended on foreign aid disbursements during this period. Most countries did not import more farm products than were urgently needed for immediate consumption. Had foreign countries used "earned" dollars to buy our farm commodities the volume of such exports might have remained about the same, while exports of nonagricultural commodities would have appeared to rely in a large measure on aid financing.[13]

With the inception of the programs within the Mutual Security Program, which called for sale of surplus commodities for foreign currencies,[14] the receipt of a certain part of United States foreign aid funds by foreign countries became directly tied to the export of United States farm products.[15] There is no indication, however, that farm exports under these programs were additional to the normal requirements of the importing countries.[16] Had they received dollars, they might have bought substantially the same commodities, though not necessarily at the same time, or even from the United States. Thus part of

[10] WOODRIDGE, GEORGE, UNRRA. (New York, Columbia University Press, 1950) Vol. I, p. 383.

[11] In his presentation to Congress, Secretary of State George C. Marshall estimated that during 1948–49 Western Europe's exports would finance a third of their import requirements from the Western Hemisphere (Testimony before the Senate Committee on Foreign Relations, January 8, 1948).

[12] Hearings before the Committee on Foreign Relations, U. S. Senate, January 8–15, 1948.

[13] In some years the domestic economy could have absorbed larger quantities of farm products than were available to it. Without allocation for export, made necessary by the aid programs, exports would have been smaller. But this is not the situation referred to by those who seek to establish the dependence of farm exports on aid financing.

[14] Section 550 of the Mutual Security Act of 1953 and Section 402 of the Mutual Security Act of 1954. Sales for foreign currencies are also made under authority of the Commodity Credit Corporation Charter Act (PL 806, 80th Congress) and the Agricultural Trade Development and Assistance Act of 1954, Title I (Pl 480, 83rd Congress).

[15] In some instances countries received aid in the form of currencies of third countries which bought the farm products.

[16] In fact, the legislation provided safeguards against interference with the trade of friendly countries.

these exports, but only an indeterminate part, was directly dependent upon aid programs.

Since during most of the postwar period foreign countries exercised a choice in whether to use their "earned " dollars for agricultural commodities or for other imports from the United States, the use of data on actual exports financed through grants as a measure of dependence on such grants may be questionable. All that can be said is that, as a result of grant aid, total United States exports to the recipient countries may have been increased; or alternately, without such aid, our exports might have been about the same but reserve accumulations and debt repayment would have been smaller.

On the other hand, United States aid may also have increased exports to countries that were not direct recipients. Part of the United States aid was spent in countries such as Canada and Cuba for offshore procurement, thus in turn increasing their ability to buy U. S. farm products.[17] In addition United States aid made it possible for recipient countries to divert their own resources to imports from other dollar countries. The resultant dollar earnings of these "third areas" eventually were used to import United States commodities and to finance other transactions with the United States or to strengthen their reserve position. This "triangular" effect of the aid programs on farm exports was not insignificant. Military aid funds spent on offshore procurement also increased the import potential of foreign countries for United States farm commodities.

Importance of Loans and Credits

Between July 1, 1945, and the end of 1954 loans and credits designed to finance the procurement of United States agricultural commodities amounted to an estimated $1.3 billion.

During the first 3 postwar years, in order to help reestablish textile production and trade, the United States Department of Agriculture exported on a credit basis large quantities of cotton to Japan for processing. These credits were repaid from the proceeds of Japanese textile exports. Germany, too, received and repaid this type of credit aid. Similar activity with respect to Japan was carried out in later years through the "Natural-Fibers Revolving Fund" which Congress created for this purpose. Total credits utilized under these two programs amounted to nearly $270 million.

Export-Import Bank loans, mainly for cotton, amounted to an estimated $800 million. Additional Government loans to India (grain), Pakistan and Afghanistan (wheat), and Spain (wheat and cotton) amounted to $218 million.

Thus, in total, dollar loans and credits granted to assist farm exports reached an estimated $1.3 billion. In addition, some part of the residual $10.6 billion in postwar loans and credits extended by the United States undoubtedly assisted farm exports. One example is the loan of $3,750 million to the United Kingdom. The use of the proceeds of this loan was not predetermined, either as to commodities which would be bought or as to the country where purchases were to be made. Drawings on this loan began in the third quarter of 1946, and by August 15, 1947, they totaled $3 billion. Approximately a third of this amount had been used to procure food and tobacco in the United States.[18]

As total agricultural exports in 1946–47 amounted to $3.6 billion, a not inconsiderable portion of such exports benefited from the loan to Britain. Even when the proceeds of the loans were not used for agricultural commodities (Export-Import Bank loans of this type totaled more than $3 billion), the countries that received these loans were able to devote a larger—but unspecifiable—part of their other dollar resources to the purchase of United States farm commodities. Furthermore, the indirect effect of the loans in stimulating purchases of "third areas" would be the same as for grants.

[17] Payments of ECA dollars to Canada and Latin American countries for goods bought from them by participating countries was the source of funds for 16 and 9 percent, respectively, of their 1949 expenditures in the U. S. (ECA, Seventh Report to Congress, p. 60).

[18] Hearings before the Committee on Appropriations, U. S. Senate, May 13–June 10, 1948. See also House of Commons Debate on August 7, 1947, which indicates that direct United Kingdom expenditures in the U. S. for food and tobacco in fiscal year 1946/47 totaled approximately $750 million. This figure excludes cotton purchases and any purchases in the United States by other sterling area countries which may have been a net drain on the central dollar pool.

Table 2.—*Value of Government financed agricultural exports July 1, 1945–June 30, 1955*

Year ending June 30	Grants				Loans and credits				Foreign currency sales [5]	Total government financed exports [6]
	Economic aid [1]	Civilian supplies	USDA donations [2]	Total grants	Export Import Bank	UK loan [3]	Other [4]	Total loans and credits		
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*
1946	1, 365	422	--------	1, 787	[3] 170	--------	25	195	--------	1, 982
1947	421	492	--------	913	[3] 274	750	133	1, 157	--------	2, 070
1948	739	837	--------	1, 576	17	250	56	323	--------	1, 899
1949	1, 516	753	--------	2, 269	35	--------	7	42	--------	2, 311
1950	1, 262	461	6	1, 729	24	--------	46	70	--------	1, 799
1951	966	175	47	1, 188	14	--------	1	15	--------	1, 202
1952	510	68	2	580	89	--------	184	273	--------	854
1953	377	58	--------	435	62	--------	34	96	--------	532
1954	357	24	67	448	113	--------	--------	113	135	696
1955 [7]	260	--------	130	390	70	--------	--------	70	351	811
Total	7, 773	3, 290	252	11, 315	868	1, 000	486	2, 354	486	14, 156

[1] 1946 and 1947: Lend Lease, UNRRA; 1948: UNRRA, post-UNRRA, Interim Aid, Greek-Turkish Aid; ECA, International Refugee Organization; 1949 to 1955: ECA, Mutual Security and other programs administered by International Cooperation Administration and predecessor agencies (except ECA-GARIOA), including relief shipments under PL 216 (83d Congress) and PL 480, Title II (83d Congress).

[2] Sec. 416 of the Agricultural Act of 1949, as amended.

[3] Estimated.

[4] 1946–1948: USDA cotton credits; 1949–1951: Natural-Fibers Revolving Fund; 1952: India grain loan, Spanish loan (wheat and cotton); 1953: India grain loan, Pakistan and Afghanistan wheat loans.

[5] Section 550 of the Mutual Security Act of 1951 as amended; CCC Charter Act, Section 402 of the Mutual Security Act of 1954, Title I of the Agricultural Trade Development and Assistance Act of 1954.

[6] Due to rounding, individual items will not add to total.

[7] Preliminary.

Official records of administering agencies including: International Cooperation Administration and predecessor agencies, United States Department of Defense, Export-Import Bank; United States Department of Agriculture; and United States Department of Commerce.

The proportion of agricultural exports directly financed through loans was increased with the passage of the Agricultural Trade Development and Assistance Act of 1954 (PL 480, 83d Congress). Under this authority, as amended, 1.5 billion dollars worth of surplus commodities (CCC investment plus cost of financing) may initially be sold for foreign currencies with no dollar recovery to the United States Treasury.[19] An estimated 50 percent of the proceeds of these sales will be loaned back to the purchasing countries for purposes of economic development. By Congressional mandate, commodities sold must be in excess of the recipient country's normal imports. Assuming that calculations of "normal" imports are correct, this program, in the first instance, will expand U. S. farm exports more directly than some forms of grant aid.[20]

Government loans and credits have been included in these calculations of Government financed exports because, by assuming the risk of loss, the Government made possible exports for which private financing was not available. However, to the extent that these loans and credits are repaid, no net drain on the United States Treasury is involved. This is true also because interest rates are usually so set as to cover the cost of financing; furthermore, in the case of many cotton

[19] Reimbursement of the Commodity Credit Corporation by other Government agencies will make part of the $1.5 billion, in fact a revolving fund. Of the $361 million obligated through June 30, 1955 (market value including ocean transport), an estimated 47 percent was thus reimbursable.

[20] Whereas competing exporters have argued that the United States is building permanent markets by this process, the possibility exists that some of these sales will unfavorably affect United States farm exports after completion of the program (1) if stocks are built up to a point which would limit imports, (2) if the economic development financed with loan proceeds results in greatly increased indigenous production, or (3) if dollar reserves are affected by the payment of U. S. obligations in local currencies rather than in dollars.

loans approved by the Export-Import Bank, actual disbursements are by agent banks under Government guarantee.

Magnitude of Government Assistance

An estimate of the value of agricultural exports moving under grants, gifts, loans, credits or sold for foreign currencies during the 10 years ending June 30, 1955, is summarized in table 2. During this decade Government financed exports averaged $1.4 billion annually, for a total of more than $14 billion. Eighty percent of this amount was extended in the form of grants or gifts; only during the last 4 years have grants totaled less than $1 billion a year.

It must be emphasized that these figures do not measure the entire financial and operational engagement of the United States Government in farm exports. Payments to exporters from so-called Section 32 funds totaled close to $200 million.[21] Expenditures to meet the difference between United States domestic prices and maximum export prices under International Wheat Agreement reached more than $700 million.

Losses to CCC, reflecting the difference between cost of sales and sales proceeds on commodities initially sold or transferred for export[22] amounted to more than $400 million during the 1954 and 1955 fiscal years alone. In addition, the estimated CCC investment plus cost of financing of commodities sold for foreign currencies under Title I of PL 480 exceeded the estimated market value and hence foreign currency receipts by more than $40 million during the 1954–55 fiscal year.

The barter of Government-held commodities for foreign materials,[23] while essentially a form of surplus disposal, may also be considered as an export stimulant. If the foreign materials were bought for dollars, a smaller part of the resultant dollar earnings of foreign countries might have been spent on United States farm commodities. Furthermore, these exchanges rest in part on the acquisition of foreign materials in excess of long-term stockpile objectives and immediate needs; they are thus in addition to the quantities foreign countries may have been able to sell in the United States, and the farm commodities bartered therefore might be said to represent additional exports. During the past year the scope of barter operations was greatly expanded. Of the $235 million worth of commodities delivered to exporters under Government barter operations since July 1949, $125 million was in the 1954–55 fiscal year.

An indirect form of assistance to farm exports should be noted. This arises from legislation that authorizes reimbursement of ocean freight charges for shipments by private relief agencies, and the payment of transportation subsidies for relief shipments by individuals.[24] It is highly probable that without these provisions, the volume of relief parcels would have been much smaller. The value of relief shipments between July 1, 1948, and the end of 1954 totaled $282 million; only about half this amount—the part that represents Department of Agriculture donations—has been included in calculations of Government financed exports.[25]

Comparison Between Government Financed and Total Exports

The above estimates indicate that, during the postwar period, the value of Government financed exports was 41 percent of the value of total agricultural exports (table 3). Year-to-year variations from this average ranged from a low of 19 percent to a high of 60 percent. For individual commodities or commodity groups, the percentages are both higher and lower than the aggregate figures.[26]

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[21] These subsidies averaged only $20 million per year, yet certain commodities, notably wheat and cotton, received substantial assistance in some years.

[22] Thus excluding so-called "domestic sales" of commodities which may in fact have been exported.

[23] Authorized under the Commodity Credit Corporation Charter Act (PL 806, 80th Congress), and the Agricultural Trade Development and Assistance Act of 1954 (PL 480, 83rd Congress).

[24] This provision was originally enacted in the Foreign Assistance Act of 1948 (PL 472, 80th Congress).

[25] Section 416 of the Agricultural Act of 1949 (PL 439, 81st Congress) provided, among other things, for the donation of surplus commodities to United States voluntary agencies for foreign relief. The authority was broadened in the Agricultural Trade Development and Assistance Act of 1954 (PL 480, 83rd Congress). Before 1949, relief shipments were not included in agricultural trade statistics.

[26] During 1949–50, for instance, it reached an estimated 87 percent for grains. United States Department of Agriculture "United States Farm Products in Foreign Trade" p. 20. Washington, 1953.

TABLE 3.—*Value of agricultural exports, United States, July 1, 1945—June 30, 1955*

Year ending June 30	Total value	Government financed	
		Value	Percentage of total
	Million dollars	*Million dollars*	*Percent*
1946	2, 857	[1] 1, 560	55
1947	3, 610	[1] 1, 910	53
1948	3, 505	1, 899	54
1949	3, 830	2, 311	60
1950	2, 986	1, 799	60
1951	3, 411	1, 202	35
1952	4, 053	854	21
1953	2, 819	532	19
1954	2, 936	696	24
1955	3, 143	[2] 811	[2] 26
Total or average	33, 150	13, 574	41

[1] Excluding civilian supply programs not included in official trade statistics.
[2] Preliminary.

As has been pointed out, these figures do not indicate the probable volume of exports that would have taken place without Government assistance. In comparing the two sets of data it must also be borne in mind that trade statistics exclude certain categories of exports and there are differences also with respect to valuation and periods covered between statistics on financing and export statistics. A few examples will illustrate this point.

Exclusion from trade statistics of certain categories of exports mainly affects early postwar data. Immediately after the war, the civilian supply programs were carried out with military supplies located abroad. Direct shipments for this purpose came later. As United States export statistics exclude goods shipped for the use of our military forces abroad, it was not until January 1, 1947, that agricultural trade statistics included the civilian supply programs. Likewise, after July 1, 1950, when the civilian supply program in Korea made use of Army stocks in Japan and Korea, such transfers do not show up in the trade statistics.[27] (This exclusion applies to UNRRA purchases of United States military surpluses located abroad.) Thus in comparing Government-financed with total exports, commodities originally intended for use of our Armed Forces but later transferred to other programs must either be subtracted from the Government financed exports (as in table 3), or added to total exports. It is estimated that the export value (f. a. s.) of civilian supplies distributed between July 1, 1945, and December 31, 1946, totaled about $600 million; in one sense, our agricultural exports were that much larger than presently recorded.

In arriving at this figure of $600 million, a minor problem arose from the fact that with the military having procured and transported the commodities in the first instance, f. a. s. costs had to be calculated. A much more serious problem arose because the number of programs being carried on simultaneously resulted in lags and errors in reporting, double counting, cancellations, and later in the revision of civilian supply data. In a number of instances, United States export statistics do not reflect these corrections and revisions; this affects the comparability of the two sets of data at a time when civilian supply shipments were substantial.

Differences in methods of valuation affect the comparability of Government financed and total exports, especially from the standpoint of the quantities included therein. For instance, in December 1947, in face of a threatened wheat shortage, the Commodity Credit Corporation was instructed to turn over to the Army for foreign civilian feeding surplus commodities at a price equal to the caloric value of wheat.[28] Obviously,

[27] BUREAU OF THE CENSUS. FOREIGN TRADE STATISTICS NOTES (April 1949), p. 76.

[28] Congress authorized CCC to absorb a loss of $27.5 million in these operations. Hearings before the Subcommittee of the Committee on Appropriations, U. S. Senate, April 7, 1948, p. 40.

when a pound of raisins is valued at a pound of wheat, export values become distorted.

The civilian supply programs also utilized surplus military stocks located in the United States, and the values assigned to these surpluses were well below the value of concurrent shipments of similar commodities.[29] A similar problem of under-valuation arises from the inclusion in UNRRA shipments of $138 million of surplus foods (largely Army quartermaster stocks) purchased in the United States.[30]

More recently, the major problems of valuation have arisen in connection with the export of Commodity Credit Corporation stocks. In a number of instances commodities supplied on a grant basis are reported at CCC cost, including storage; in other instances they enter export statistics at current market value. When the CCC cost is above market prices there is a tendency in comparison with overall exports to overstate the proportion of Government financed exports. Year-to-year comparisons are also distorted. For instance between 1953 and 1954, the value of U. S. wheat exports dropped $162 million (28 percent), while in terms of quantity the decline was 16 percent. One of the reasons for the decline was that in the earlier year total exports were swelled by a grant of 700,000 tons of wheat to Pakistan. This wheat was recorded at the CCC cost of approximately $3 a bushel, whereas the value of all other wheat exports averaged about a dollar less. Thus in terms of value not only was the decline in wheat exports overstated, but so was the proportion of Government financing.

Donations for famine relief are generally invoiced at CCC cost, resulting in similar differences. On the other hand, CCC commodities donated for foreign relief under Section 416 of the Agricultural Act of 1949, are invoiced at approximate market prices. Concurrently, CCC sold many of these same commodities to international institutions and foreign governments at negotiated prices which were often far below market prices.

For instance, in the 6-month period ending June 30, 1954, the CCC reported disposition commitments for nonfat dry milk at the following per pound return to CCC: commercial sale for export (including exports under grant aid) 11.3 cents; noncommercial sale to relief societies, 5 cents; noncommercial sale to foreign governments, 2½ cents; sale to the United Nations Childrens' Fund (UNICEF), 1 cent;[31] at this time donations for foreign relief under Section 416, were invoiced at 15 cents. In such instances comparison of Government financed with commercial exports would overstate the former if CCC cost was a large component; it would understate it if negotiated prices were the major component of such exports. Furthermore, under an amendment of Section 416, international agencies became eligible for donations.[32] Presumably most, if not all such donations will now be recorded at current market values. As sales to these agencies formerly were mostly below market values, the apparent importance of Government financing will increase.

The need for caution in comparing Government-financed with total exports also stems from the fact that the International Cooperation Administration and its predecessor agencies (ECA, MSA and FOA) only report on "paid shipments" or "expenditures." These data represent reimbursement to exporters for previous shipments. In the early ECA days, reports on paid shipments lagged considerably behind actual exports since "a considerable part of ECA's financing involved 'picking up the check' in connection with contracts that had already been let and in many cases shipments that had already passed into history."[33] Although this lag between exports and the time when the data were reported was progressively reduced, comparability with trade statistics continues to be affected by this system of reporting.

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[29] Over-valuation occurred as well. For instance, the civilian supply programs were charged for CCC wheat at CCC cost at a time when market prices had dropped below that figure. Hearings before the Subcommittee of the Committee on Appropriations, U. S. Senate, April 7, 1948, pp. 41–42.

[30] UNRRA, THE CONTRIBUTION OF THE UNITED STATES TO THE UNITED NATIONS RELIEF AND REHABILITATION AGENCY. Washington, 1949, p. 37. Surplus military and lend-lease stocks located abroad and purchased by UNRRA were also procured at prices which had little relation to their f. a. s. cost. (Woodridge, *op. cit.* Vol. I, p. 390.)

[31] UNITED STATES DEPARTMENT OF AGRICULTURE, COMMODITY STABILIZATION SERVICE, DISPOSITION COMMITMENTS OF CCC COMMODITIES, July 15, 1954.

[32] PL 480, Title III (83d Congress).

[33] Hearings before the subcommittee of the Committee on Appropriations, U. S. House of Representatives. Washington, 1949, p. 1052.

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Statistics on Government financed exports should not be interpreted as reflecting the extent of government trading operations. This was probably true in the early postwar years, as the lend-lease, UNRRA, and civilian relief programs were largely supply operations in which the United States Government procured the commodities needed for shipment abroad. By Congressional mandate, however, under the Interim Aid and subsequent programs the Government's role shifted from supply to financing. Foreign countries thus increasingly bought through American private traders.

On the other hand, statistics that show the reduced percentages of Government procurement should not be interpreted as reflecting a decline in Government export assistance. Similarly, data released by the Commodity Credit Corporation reporting on the disposition of CCC stocks through commercial sales for export merely indicate that the commodities so listed were handled by private exporters; in fact, most of these commodities move under United States Government export programs.

Finally, it should be noted that, despite the large financial involvment of the United States Government in agricultural exports, in comparison with foreign countries direct government assistance is limited. Foreign countries not only use export subsidies extensively and indirectly subsidize exports through exchange rate manipulation, tax and freight-rate reduction, and export credit guarantees, but engage in bilateral and other state trading operations.

Concluding Remarks

The data presented in this paper are believed to be an accurate measure of Government financed exports under the definition arrived at by the author. The compilation necessarily involved many judgments as to the inclusion and interpretation of various items. Consequently, like all statistics, those presented herein should not be used for further analysis or as the basis for policy determinations without first making the necessary adjustments required by the particular purpose for which the data are to be used.