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FOREIGN AGRICULTURAL SERVICE PROGRAMS AND FOREIGN RELATIONS

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I have been asked to discuss the Foreign Agricultural Service—what it does, how it is organized—and, with this, U. S. agricultural export possibilities and export problems.

The Foreign Agricultural Service is one of the operating agencies of the U. S. Department of Agriculture. It has one “big” job—expanding exports of U. S. farm products. Other Department and other government agencies are participating, too, and good progress is being made. Shipments in the past three years have been larger than in any other period in U. S. history, averaging over 4 billion dollars annually. Currently, U. S. exports moving overseas represent the production from 40 million acres of cropland. That is an area equal to the harvested acreage of the eight Rocky Mountain and the three Pacific Coast states.

The Washington staff work of FAS falls into three major categories: market development; agricultural trade policy and analysis; and administration of the world-wide attache service, which maintains posts in 51 countries. The staff also has several other functions. All segments of FAS cooperate in one way or another in handling specific lines of work.

One of the regular jobs of FAS is reporting on foreign agricultural developments, such as foreign production, prices, trade barriers, competition, and marketing opportunities. FAS also is interested in imports, not only imports of products that may compete with ours, but also the non-competitive items—coffee, cocoa, sugar, and others—which help to build up purchasing power in other countries. The attaches play a big part in the reporting operation. The information collected from all sources is analyzed, interpreted, and made public.

FAS joins in U. S. Government efforts to remove embargoes, quotas, restrictions, and other barriers which restrict market expansion for U. S. farm products. U. S. pressure for trade liberalization is applied through diplomatic representation, in which FAS agricultural attaches take part; periodic meetings under the General Agreement on Tariffs and Trade (GATT), participated in by FAS and other U. S. Government personnel; and activities of other international organizations, including the International Monetary Fund.

Reporting and trade liberalization are aimed, of course, at export market expansion. Other activities, including market promotion and sales for foreign currencies, have the same objective.

The productive capacity of American agriculture always has given us more of some commodities than we can use at home. But in recent years technology has pushed productive capacity far above domestic needs. This has accentuated the need for expanding exports.

But—foreign countries also produce food and fiber. In most of the world's countries, agriculture is the leading occupation of the people. Many countries, even where diets are poor, tend to resist the influx of imported food. Furthermore, many friendly nations have developed a flourishing export trade in the same commodities we are trying to ship. These and other problems hamper foreign market expansion.

MARKET EXPANSION PROGRAMS

U. S. policy stresses sales for dollars, and in the past few years dollar sales have accounted for 63 percent of our total exports. In the case of several major commodities, government subsidies are needed to keep dollar sales high, but dollar sales in regular commercial channels represent the preferred way of transacting business.

However, many countries lack dollar exchange. To bridge the gap between foreign dollar shortages and U. S. farm product surpluses, Congress in 1954 passed the Agricultural Trade Development and Assistance Act, popularly known as Public Law 480, which authorizes sales for foreign currencies. Foreign currency sales have turned out to be an unusual but effective means of utilizing surpluses, accounting for over a fourth of U. S. exports on a value basis since 1954. More than half of the U. S. wheat exported in fiscal year 1959 was sold for foreign currencies. Also marketed for foreign currencies in 1959 were two-thirds of our exports of edible oils, a fourth of our rice shipments, and a fifth of our cotton exports.

Foreign currency sales have made us more conscious than ever of our international responsibilities. In administering foreign currency sales we have tried to avoid: cutting into sales that we could make for dollars, disrupting commercial trade of friendly foreign countries, and undermining prices in world markets. The same holds true of donations, handled by the Agricultural Marketing Service and the International Cooperation Administration. The law authorizing barter operations, administered by the Commodity Stabilization Service, specifies that barter transactions shall not disturb world markets and that barter deals also be additional to cash sales that would otherwise be made.

Use of the various export “tools” available to us has resulted in a gratifying increase in farm product exports. From a low point of 2.8 billion dollars in fiscal year 1953, exports climbed to an all-time high of 4.7 billion dollars in fiscal year 1957. Export volume has stayed relatively high to date, averaging over 4 billion dollars in the past three years. In the face of these exports we might well ask ourselves the question of what our domestic surpluses would be like if we had not stressed exports.

Two things are certain: Our exports have helped to strengthen prices and incomes of our farmers. At the same time, our shipments have bolstered American foreign policy by helping to meet urgent human needs in some areas where communism was and still is a threat.

Existing surplus disposal programs are not perfect. But neither is a bucket-brigade—and many a fire has been put out by stout-hearted men who made effective use of whatever was at hand. In many situations, time is of the essence. We have surplus problems that must be faced today. The hunger of millions of people throughout the world needs to be satisfied today. Our export programs, however imperfectly, have filled an important need both at home and abroad.

Most of us will agree that economic development is the only real salvation of many countries now the beneficiaries of our surpluses. We know that hunger results from low incomes. And incomes are low because enough fertilizer and irrigation water are not available for the land, because transportation is poor, because industry is primitive, because human resources are employed inefficiently. Under such circumstances, food can be only a palliative, not a cure. The basic need is development of those countries.

Since 1954 some 2 billion dollars or over half of the foreign currencies obtained from sales of U. S. surpluses under P. L. 480 have been or are scheduled to be turned back to importing countries as loans or grants for economic development. But economic development takes time. Some of the Communist countries have learned that. Red China, with her much-publicized “great leap forward,” seems to have stubbed her toe on back-yard foundries and agricultural communes. Soviet Russia has been carrying on a program of forced economic development since 1917. Today, over 40 years later, Russia’s program finally is showing results—because output of consumer goods has been subordinated to production of capital goods.

Many countries need economic development, but “crash” programs are not likely to work—for there is some truth in the saying that it takes money to make money. A good base is necessary to achieve

rapid economic development, such as took place in Western Europe and Japan following the end of World War II. By a good base I mean a sound educational system; availability of capital; cadres of skilled planners and technicians; an industry that can provide tools of all kinds; adequate transportation. The underdeveloped countries lack such a base.

Until development becomes more than a pious hope, we shall need a full kit of "export" programs—that is, if we want to export. These programs do have, I admit, a temporary, emergency quality. But, again, I come back to my analogy of the bucket brigade. Until the hook-and-ladder company is organized, the bucket brigade must stay on the job.

MISCONCEPTIONS ABOUT FOREIGN DEMAND

I would like to call to your attention several popular misconceptions about foreign demand for our food and fiber.

WE CAN EXPORT ALL OUR SURPLUSES (Misconception No. 1). The productive power of American farms—heightened by mechanical, chemical, and biological advances—has far outstripped our domestic capacity to consume. For some years to come, if good weather holds and production controls remain what they are today, American farmers are likely to produce more food and fiber than can be moved satisfactorily through either domestic or export markets.

The export market is not a bottomless pit by any means. Agricultural production outside of the United States was at a record level last year. Part of that big output traces to good weather, but it also reflects the desire of most countries to be self-sufficient agriculturally. Even in the underdeveloped countries, agriculture is the leading occupation of the people, who tend to resist the competition of heavy imports. And throughout the world there still are exchange problems—and trade barriers. We can improve the situation somewhat and we are working at this task.

MILLIONS OF PEOPLE IN THE WORLD ARE STARVING. (Misconception No. 2). This expression conveys a highly exaggerated picture of the current situation. Although Asia and other areas have sometimes had isolated pockets of famine, in recent years no widespread starvation has been reported anywhere in the world. What does exist on a big scale, especially in underdeveloped areas, is "under nutrition." In other words, diets, though substantially above the starvation level, need upgrading. If diets can be improved, the world's people will benefit immeasurably—and U. S. surpluses can shrink accordingly. We are also working at this task.

IF WE CANNOT SELL OUR FOOD, WE CAN GIVE IT AWAY (Misconception No. 3). In many underdeveloped areas, selling food is actually easier and cheaper than giving it away. The answer to this seeming paradox is rather simple. Every country of the free world has a commercial distribution system through which food flows to the people. But many countries—especially the non-Christian countries—lack distributive facilities and organizations through which additional large quantities of donated food can be channeled to the needy.

Substantial quantities of food already are being donated through the people-to-people approach of the voluntary foreign relief organizations and the country-to-country operations of the International Cooperation Administration. Since 1954, for example, foreign food donations of the United States under Titles II and III, P. L. 480, have had a cost value of 1.8 billion dollars. In most countries, current donations represent just about all that existing charitable facilities can handle. If additional quantities are to be distributed, facilities—including transportation and storage—will have to be provided; and responsible organizations, either indigenous or international, must be organized to handle the expanded distribution.

Food donation policies must be formulated carefully. Otherwise, donation operations will be self-defeating. For example, the United States wants to see school lunch programs established on a permanent basis in underdeveloped countries. The United States generally provides school lunch assistance on condition that the program be taken over by the foreign government within a reasonable length of time—usually about five years. This policy helps to assure continuation of the program, whether or not U. S. food is forthcoming.

Refugee feeding will be continued, and, where practicable, increased. This again, however, presents problems. Refugees oftentimes are interspersed with the population of the “host” country. Experience has shown that it is not wise to raise refugee diets to a higher level than those of the “host” country’s own people.

Supplemental donations to hospitals, orphanages, homes for the aged, and similar institutions are a highly desirable form of giving. The donations, because they are supplemental, mean minimum adverse repercussions should U. S. supplies later have to be curtailed or withdrawn. On the other hand, family feeding programs must be screened very carefully. Experience has shown that food gets into the black market faster from large-scale, non-institutional indigent feeding programs than from other types of operation.

We are working to increase and improve the donations. I have dwelt on these major misconceptions in the hope that you can set

farmers straight through your regular Extension Service channels. Farmers need a completely accurate picture of what can and cannot be done in the way of expanding export markets.

PROGRESS IN EXPANDING EXPORTS

Serious problems need to be overcome in expanding exports. But, the U. S. attitude is positive and progress is being made. Let me give you a few examples:

In Switzerland, promotional efforts have pushed sales of U. S. broiler chickens from virtually nothing in 1954 to an estimated 16 million pounds this year, which represents 55 percent of Switzerland's total poultry meat imports. Broiler sales in Germany have risen sharply, and a steep uptrend in turkey marketings is expected, now that Germany has lifted restrictions on dollar imports of U. S. turkeys. Interestingly, Holland, the largest exporter of poultry in Western Europe, has become a market for U. S. broiler chickens and turkeys following promotional efforts of FAS and the U. S. poultry industry.

Experience gained in poultry market expansion in Western Europe is being used to probe market opportunities elsewhere. Recently, broiler chickens were introduced in Turkey and Egypt under P. L. 480 foreign currency transactions.

Oddly enough, lack of a market opportunity in one product can open up possibilities in another. The United Kingdom, for example, which imports only minor amounts of our poultry products, is rapidly expanding its own broiler industry. Production in the past five years has increased from virtually nothing to 50 million birds. A popular prediction is that output will reach 100 million in 1960 and 400 million within the next decade. Obviously, opportunities for U. S. broilers in the United Kingdom will be very limited. But broiler chickens require mixed feed, and a 400-million-bird industry looks like a particularly shining market possibility for the U. S. feed industry.

Cotton promotion projects are being carried on in 14 countries. The projects through which full use is made of market research, sales promotion, and general publicity, are carried out in cooperation with the cotton industry. In the countries where promotional efforts are being made, per capita consumption has risen significantly; in others, downtrends have been reversed.

Projects have been undertaken in 24 countries to increase consumption and imports of U. S. wheat and wheat products, feed grains, seed, rice, and beans. Principal promotional efforts to date have been devoted to wheat. Other promotional work is being conducted for

livestock and meat products, fats and oils, fruits, tobacco, and dairy products.

Promotional activities cover a wide range. Trade groups and government have joined hands in carrying on many different types of operations. Several U. S. agricultural trade groups have set up foreign offices to expand foreign sales. Participation of government and industry in trade fairs has shown millions of consumers around the world the wide variety and high quality of American food and fiber. Consumer advertising, exhibits, distribution of promotional material, cooking demonstrations, and similar means of reaching potential customers also are being employed. All in all, we consider that market expansion possibilities, through trade promotion, are very encouraging.

The Food for Peace proposal, initiated by President Eisenhower earlier this year, falls partly into the category of long-range market expansion and partly into the category of humanitarianism. The President called on surplus-producing nations to explore anew practical means of making even greater use of food in bolstering world peace. In the spring, representatives of Argentina, Australia, Canada, the Food and Agriculture Organization, France, and the United States met in Washington to discuss ways and means of implementing the President's proposal.

The emphasis was placed on wheat—for several reasons. Wheat is the food commodity in greatest supply. It is easily handled in export channels. Most of the world's people know how to use it as a food. Frank discussion among the wheat-exporting nations brought to the surface the many problems surrounding the shipment of food to underdeveloped areas. Many of these problems I have already touched upon—possibility of interference with normal marketings; lack of physical facilities and trained manpower to distribute increased food supplies in underdeveloped areas; an overriding need for economic development.

Progress is being made, nevertheless. Among the measures which show particular promise are: (1) establishment of reserves to meet emergencies; (2) increased donations for school lunch, institutional, and refugee feeding; (3) refugee resettlement; and (4) projects for community self-help.

Food for Peace moves continue to be made by wheat exporting countries, which, with the United States, are members of a newly established Food for Peace Wheat Utilization Committee. The committee met in June and will get together again this fall. Cooperation has been excellent.

Cooperation will bring sound building. And sound building of a Food for Peace program is, in the United States view, more important than speed—important as speed is.

CONCLUSION

The world is growing smaller, and as it continues to shrink agriculture will assume a more and more important role. I am reminded of the slogan we used during World War II—"Food will win the war and write the peace." Occasionally we may have smiled at the brave promise behind these words. But, as it turned out, food actually was a major factor in assuring an allied victory. Since the end of the war, food actually has done much to preserve peace in many areas of the world. It can do even more, I am convinced.

Again, let me congratulate the Extension Services for their interest in the international implications of agriculture. In preparing information in this field, and making this knowledge widely available, Extension is meeting a real need of farmers for facts concerning their business interests—world-wide interests.