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# THE STAKE OF AMERICAN AGRICULTURE IN U.S. FOREIGN POLICIES

*Gwynn Garnett, Administrator  
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We are fortunate in the United States in that our agriculture is a positive contributor to favorable foreign relations. This is in direct contrast to the position of agriculture in the Communist countries.

This year is the 40th anniversary of the Communist revolution. The big story of this anniversary—one that the Communists themselves try to hide—is the failure of Communism to provide for the food and agricultural needs of its people.

Farmers of the United States are producing more than three times as much meat per capita and 40 percent more milk per capita than are the Communized farmers of the Soviet Union.

Hungary and Romania once were famous as one of the world's great breadbaskets. Last year, under Communist domination, they had to import grain.

We read that the U.S.S.R. has offered India a steel plant. But it is not offering milk, wheat, and butter.

In the ideological struggle between the East and the West, the West has a big advantage due to our superior ability to produce food. Our "secret weapon" is our belief in the free economy—for only within a free economy do we find abundant production of milk, cheese, eggs, meat, and similar high-energy foods for the masses.

## **SURPLUSES ARE BETTER THAN HUNGER**

Sometimes we Americans are embarrassed by the size of our surpluses. But how infinitely better for us to be living under a system that produces abundance than one that produces shortages, hunger, and unrest.

Under our system we are able to share vast amounts of food and fiber with the rest of the world. It is helpful to American farmers that this production can move to foreign consumers; it is helpful to our international relations that our foreign policy can be vigorously supported with this agricultural abundance.

As we of the United States communicate with other people of the world, no story we can tell is quite as impressive as this one of our agricultural strength and Communism's agricultural weakness.

American agriculture consistently gives tangible reinforcement to American foreign policy.

The world's people would be hard pressed to feed themselves without the abundance of our farms. We are the world's largest exporter of farm products, and thereby contribute materially to higher living standards for the world.

A related fact is that next to the United Kingdom we also are the world's largest importer of agricultural products. This liberal purchasing provides an important means for other countries to earn much-needed dollars.

#### **ABUNDANCE CAN BE SHARED**

We believe that the best way to distribute farm products is through the commercial market, but we are generous with our donations, too, when needed. Since June 30, 1945, the United States has donated 12 billion dollars of farm products to friendly countries to help them recover from the war and stabilize their peacetime economies. Our food has been a positive factor in the stability of many countries, in Europe, the Middle East, and the Far East.

We are generous, too, in sharing our agricultural technology. World agricultural production constantly is improving, and one of the reasons is the gradual adoption of better techniques, better equipment, and better plants and animals. In this sharing, you of the land-grant colleges have, of course, played an outstanding role.

Our abundance of relatively cheap food is a direct aid to the economic development of foreign countries. Many countries are able to buy our farm products more cheaply than they could raise them themselves. Instead of using available capital for agricultural expansion, they are able instead to divert it into expanding industry and providing more jobs for their people.

Indirectly, too, our farm products aid such development. During the past three years, over 2 billion dollars of farm surpluses have been sold to foreign countries for their own currencies, under Title I of Public Law 480. More than half of the foreign money thus obtained has been loaned back to these countries to aid their economic development.

The constant outflow of products from our farms, coupled with our responsible marketing and pricing policies, has brought a healthful stability to the postwar world market. We have but to look back to the erratic marketing period that followed the first World War to see the favorable contrast.

### THREE SOURCES OF CRITICISM

I have just presented a highly favorable picture of American agriculture's contribution to our foreign relations. But the omission would be conspicuous if I did not take note of unfavorable factors, as well. American agriculture is under constant scrutiny and criticism, not only by our foreign adversaries but also by our foreign friends. This criticism has sprung up largely during these past three years since we began our foreign marketing programs.

We find that foreign criticism of American agriculture consists largely of three kinds of allegations: (1) that we disrupt world prices; (2) that we have denied markets to other exporters and forced them to accumulate unsold surpluses; (3) that we have distorted the traditional patterns of world trade.

Let us examine each of these allegations.

First, *world prices*. I want to repeat my earlier statement that our export products and policies have brought a healthful stability to world agricultural trade. Prices of internationally traded farm products have never enjoyed greater stability than during the recent period of our disposal programs. This is true of wheat, cotton, rice, tobacco, feed grains, and other products.

Second, *accumulation of stocks*. Our foreign friends sometimes overlook the fact that the United States holds most of the world's surpluses. We could have dumped our surpluses on the world market, but we have carefully refrained from doing so. With few exceptions, other countries have been able to market their production and have no agricultural surpluses.

Possible exceptions are Egypt and the Sudan, whose stocks of unsold cotton are due largely to over-pricing. Another exception is Canada, which has large stocks of wheat. Canada's wheat exports, however, are being maintained close to the 270 million bushel average of the past 10 years. An examination of Canada's agricultural statistics would lead us to conclude that Canada's greatly increased wheat production, rather than unfair marketing competition, is primarily responsible for its large stocks.

Third, *distortion of world trade patterns*. Those who accuse us of distorting world trade patterns actually mean that American agriculture has taken away some of their markets. But the record shows otherwise. The agricultural exports of other countries, including our competitors, have gained consistently over the past eight years. This past year, not only our agricultural exports but theirs as well reached a record high level. World agricultural exports reached a record total

of 21.3 billion dollars and the share contributed by other countries reached a record 16.6 billion dollars.

### **EXPORTS: A VITAL OUTLET**

The clearest evidence of the stake of American farmers in foreign affairs, of course, is the fact that exports are an essential outlet for some of our farm products. Last year U.S. agriculture exported the equivalent of over half our production of wheat, cotton, and rice; one-third of our soybean and tobacco production; one-half of our tallow and one-fifth of our lard.

Fifty million acres of U.S. cropland, or one acre out of every seven, is producing for export.

Last year, 12 cents of each marketing dollar received by U.S. farmers came from exports.

Agricultural exports in 1956-57 reached the new all-time high level of 4.7 billion dollars. This was 67 percent above the post-Korean slump of 1951-52.

More products from American farms were eaten, smoked, and worn by the world's people in 1956-57 than ever before in history.

During part of the year, enough ships were scarcely available to handle exports of U.S. farm products.

Due in important part to these large volume exports, the surplus of farm products—which had been climbing—was appreciably reduced.

These are facts that affect every farmer in the United States. We commonly speak of "export crops," meaning those that go overseas in greatest volume. But indirectly every crop is an export crop. Any contraction in exports of the major crops means diversion of acreage to other competing crops. Maintenance of high-level agricultural exports, such as those of this past year, is in the direct dollars-and-cents interest of every farmer.

### **MANY FORCES HELP STIMULATE EXPORTS**

There is no single, simple answer to how agricultural exports have been pushed to new levels. Public Law 480 has received considerable publicity, but I feel it has had less long-range significance than some of the other forces that have come into play.

Our basic agricultural export objective is, and must continue to be, maximum exports through commercial channels for dollars. It is encouraging to note that even though government programs have become important, commercial exports last year rose to the second

highest level in postwar history: 2.8 billion dollars, or 60 percent of the total.

Let us consider the reasons for the improvement in dollar sales.

High on the list is the export sale of commodities held by the Commodity Credit Corporation at competitive prices for dollars. Cotton especially has benefited from competitive export pricing. This action had become necessary in order to bridge the gap between domestic and world market prices.

Next, our trade and aid policies are bearing fruit. Through postwar aid, we have helped countries improve their economies and thus enabled them to become better customers. Through trade programs, we are obtaining better access for our products in foreign markets. Eighty percent of our agricultural exports last year moved to countries with whom we have trade agreements, and two-thirds of these exports moved under concessions.

As part of this trade picture, our nation also is a large and accessible market for the products of other countries. This gives other countries the economic basis for active dollar trade.

American farm products are being merchandised vigorously. During and immediately after World War II, foreign competition did not exist and merchandising was a minor factor in agricultural exports. But today merchandising is an export requirement. U.S. private industry has been able to restore and strengthen its own export programs, safe in the knowledge that government has neither intention nor desire to assume this traditional merchandising function.

#### **INDUSTRY, GOVERNMENT JOIN IN PROMOTION**

One of the government's contributions is assisting export promotion through projects set up jointly with private industry. Such projects are financed by foreign currencies earned through export sales of surpluses under Public Law 480. Seventy-four such projects have been set up in 26 countries, in cooperation with 32 U.S. agricultural and trade groups, as well as a number of foreign ones. These export promotional projects cover all major U.S. farm commodities.

The export merchandising of U.S. farm products is further reinforced by our corps of agricultural attaches. These men are stationed in, report from, and aid market development in all principal countries. We sometimes speak of them as the eyes and ears, as well as the voice, of American agriculture abroad.

An important contributor to agricultural exports, of course, are the special export programs of the U.S. government. They accounted

for approximately 40 percent of our agricultural exports last year.

Sales for foreign currencies . . . . .	\$1,279,000,000
Barter . . . . .	350,000,000
Donations and disaster relief . . . . .	238,000,000

On June 30 we ended the third year of operations under Public Law 480. Title I of this program permits sales of U.S. farm surpluses for foreign currencies. This program has been backed with 3 billion dollars of funds, and it has been extended by the Congress for an additional year with an additional 1 billion dollars of funds. Title I transactions have been an important factor in our exports. During the three years of operation, agreements have been signed with foreign countries that account for 1.3 billion dollars of wheat, 566 million dollars of cotton, 286 million dollars of fats and oils, and 150 million dollars of feed grains (basis CCC cost).

The foreign currency thus obtained—whether liras, pesos, yen, or other units—is being put to various uses helpful to the United States. One-fourth eventually will be recoverable in dollars; one-fourth is slated for various U.S. uses, including market development; and one-half is going into foreign economic development. This last use is especially worth noting, for in continuation of foreign economic development lies our great opportunity for better export markets in the future.

#### DOMESTIC POLICIES INFLUENCE EXPORTS

We have just concluded a year of record exports. We do not expect our agricultural exports this year will be as high. The maintaining of high level exports will be a real challenge. The job cannot be done alone by government, or by Public Law 480, or by special projects based on available foreign currencies. The job does not rest on foreign policies alone, but on a combination of sound *foreign* and *domestic* policies. Four essential factors are:

1. We need sound domestic programs that help, not hinder, the expanded export of farm products.

2. We need to participate actively in trade programs that give our farm products freer access to foreign markets. The reciprocal trade agreements program (GATT - General Agreement on Tariffs and Trade) is the outstanding example. Today 80 percent of our farm exports go to countries which, through trade agreements, have liberalized their attitude toward our farm products—and two-thirds of these exports move under concessions that have been granted us.

3. As long as we have severe surplus problems, we need special government programs. But our objective should be to work toward a

balanced production that does not force development of surplus-disposal programs.

4. We need to continue our joint efforts to aggressively build foreign markets for our farm products. But here again, private industry must take the leadership. The proper role of government should be that of lending a helping hand.





PART II

*Appraisal of Present and Proposed  
Agricultural Programs*

