The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

SOME FORCES THAT DETERMINE AGRICULTURAL POLICY[1]

Agricultural policy around the world may be either private or government policy. Three aspects of government policy will be examined here in terms of their interrelationship with United States agricultural policies: (1) major considerations in current agricultural policies of foreign governments; (2) unfavorable situations for the United States arising from foreign agricultural policies; and (3) institutional forces important in policy formulation.

MAJOR CONSIDERATIONS IN FOREIGN POLICIES

A significant part of government activity in the world is concerned with formulating and executing agricultural policy. Some of the considerations follow.

U. S. agricultural policies for production, price, and income often are studied by foreign planners as guidelines. They, then, shape their policies to take maximum advantage of U. S. programs.

Self-sufficiency dominates the ideas and ambitions of developing countries. One of their aims is to protect a party's political position. Another is to conserve dollars.

Low food prices is another policy of government, particularly among several Common Market countries. Stability of food prices helps control other prices and wages.

Protecting a reasonable level of farm income is a policy in some countries where agriculture is the chief support of the economy. Where agriculture is a small but politically strong part of the economy, governments must have a farm program in order to survive.

Tariffs and other controls are sometimes used to equalize prices between domestic and foreign goods. The variable external levy of the Common Market would be an example.

Relatively free markets are maintained by countries such as the United Kingdom and Hong Kong, both of which are deficit in food. The reasons for this are that, first, it invites a wider variety of food imports and, second, it keeps food prices at lower levels with benefits to both government and consumers.

---

[1]Prepared by W. Y. Fowler, New Mexico State University; John C. Bower, Montana State College; Foy Helms, Auburn University; and Tyrus R. Timm, Texas A. and M. College.

The "Commonwealth Preference" program provides incentive for wider trade among associate countries. France and England provide both lower tariffs and preferential quotas to their associates. This is particularly true for meat, spices, sugar, and cocoa. The Philippines, while independent, trades sugar with the U. S. under a similar arrangement.

No moral issue is involved in trade with communist countries—that is the feeling in much of the Free World. Examples are trade between East and West Germany; and India and Russia.

Price rather than quality often determines foreign demand in developing countries. Indian hand looms turn out lower quality products that do not command higher prices. This makes it necessary to purchase less costly raw cotton, which means lower quality and shorter staple.

SOME ADVERSE EFFECTS UPON AMERICAN AGRICULTURE

Following are a few key policy matters which affect U. S. agricultural trade throughout the world. Some policies cannot be changed; others can be negotiated. Some are listed only to indicate areas where caution should be observed or where the U. S. government and business should be more aggressive.

Foreign currency earned locally under P. L. 480 sales is sometimes reloaned to foreign governments, which in turn use it to develop competing crops. One such instance is in Colombia, where this money is being used to expand African palm oil, which reduces imports of soybean and cottonseed oils. The present U. S. policy is to avoid such loans where possible.

If a high external levy is imposed by the European Economic Community, the United States would no longer have much of a market there. Currently, about 25 percent of U. S. agricultural products going abroad go to that area. The EEC is not constructing new fences. The fences have been there all the time. It may be easier to deal with one fence than it has been to deal with many.

A close trading relationship often exists with the Communist Bloc. Bilateral agreements are in effect between countries in West Africa and Asia where Russia gives aid in return for products. In other instances sales and barter agreements exist.

Shifting from finished goods to the import of raw materials for processing is the goal of the Western European and some Latin American countries. To do this will require the importation of management, technology, and capital. If these come from the United States, a question arises about the allegiance of the firm.

An indefinite policy of closed borders is maintained by some countries, which endangers acceptance of U. S. merchandise en route or causes small amounts to be shipped.

Policies of licensing importers and requiring exhaustion of domestic supplies before allowing imports are maintained by some countries. Mexico, for example, maintains such a policy, and this makes it difficult for certain U. S. goods to enter.

The quality and quantity of product demanded abroad, plus terms offered by competing countries, may be such that the U. S. cannot compete. This nation must be aware of the specific wants of the market it is trying to serve.

Competitors maintain permanent trade missions in third markets to work on: (1) credit, (2) uses of products, (3) customer service, (4) promotion, and (5) advertising. This is particularly true of the British Commonwealth nations operating in Latin America.

POLITICAL INSTITUTIONS

Within the political framework of foreign countries certain important situations impinge upon agricultural policy.

Developmental or operational plans covering a period of three, five, or seven years, including import and export considerations, are common. For example, the central governing body of EEC will have plans and policies related to agricultural production, prices, and trade. Details of the plans include limitations for each country. If the plans become unduly disruptive, ways likely will be found to curtail their effectiveness.

Pressures brought by Eastern Bloc countries, including Russia and China, influence Western and developing nations to trade. This trade can have significant influence on the supply and demand situation for U. S. farm products. India may sell cotton to Russia as a means of maintaining friendly relations and giving Russia an incentive to discourage Red China from engaging in unfriendly activities on the Indian border.

Changing political allegiance of large U. S. corporations may reduce their interest in sales of farm products abroad. For example, as the portion of its activities abroad increases, the packer of meat, fruits, or vegetables may find it advantageous to decrease emphasis on sales of U. S. products overseas and push sales of the foreign packed product. He may even shift his interest to selling foreign produced products in the U. S.

Political unity and common defense were important considerations in the formation of EEC. Similarly, compromise by the U. S. on some market advantages with other countries in the interest of political unity and common defense may have some merit. A significant question is how far can the U. S. compromise market advantage to achieve political unity without sacrificing political stability at home?

GOVERNMENT AGENCIES

Officials of government agencies can influence agricultural programs in a number of ways. Thus, plans and programs on paper may not be the same in fact.

Agencies can circumvent legislative statutes. They may fail to seek adequate funds for administering the program. Little supervision may be given to cooperating farmers. Violators may not be reported. So, even though member countries must approve edicts of the Common Market administration, this does not mean the programs will be effected as intended.

Agricultural statutes require "operational interpretation" by the Minister of Agriculture and his legal aides. The Minister can insert some of his own philosophy and ideas into policies and procedures of the agency.

Federalism is not as important an issue in foreign countries as in the United States. Nearly all agricultural programs are financed, directed, and controlled through federal agricultural agencies. Important exceptions are Germany, where all agricultural programs are administered by the states, and Brazil, where the states under the leadership of governors, originate and direct programs.

The behavior of agricultural agencies in foreign countries, many of which have semi-autonomous status, makes it advisable for the United States to have representatives in daily contact with them. Continuous negotiation is necessary. Agricultural attachés and representatives of farm organizations stationed in a given country perform a part of this function. Most of the representatives of farm groups are giving leadership to market development projects abroad under Public Law 480.

FARM ORGANIZATIONS

Farm organizations in foreign countries usually are more active than those in the United States in planning and executing government programs. They even administer some of the programs.

General farm organizations operating abroad usually are few in number. One general farm organization, or a closely knit national council of two or three of them, usually dominates. Commodity organizations, except in Latin America, are not strong politically. Farmer cooperatives are gaining in political power in many countries.

Processing and mass distribution of food and fiber products are growing around the globe. As expected in the more advanced countries, this development is leading to strong agribusiness organizations. Often the policies of these organizations conflict with those of farm organizations.

These behavior patterns in political institutions, agency operations, and farmer movements must be watched carefully by agricultural leaders in the U. S. These forces will play an important role in agricultural trade in the future.