THE RELATION OF CALIFORNIA AGRICULTURE TO INTERNATIONAL TRADE

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It would be idle and foolish to contend that economic interests and dollar values are the biggest element in the international situation today. We all know that we are in one of the critical periods of world history. Germany, once the great power of the European continent, lies in ruins. The British Empire, long the most important stabilizer of world affairs, and of international trade and finance, is faced with the gravest problems of its peacetime history. We are in the midst of a world-wide conflict of ideologies and a major phase in the struggle over the forms of government under which men shall live.

The war is not over, and we are still engaged, on the political and economic fronts, in a struggle against totalitarianism, police-state methods, and the subjugation of small nations through the arrogant use of military strength and power politics. The methods in use in Eastern Europe today differ so little from those of Nazi Germany that attempts to distinguish between them are futile. Again we have the stifling of freedom of speech and the press, the one-party system with no opposition permitted, the concentration camp, the taking and executing of hostages, the fostering and aiding of armed resistance by minority groups in neighboring states, and the deliberate use of falsehoods by official representatives of important nations.

Under these conditions it would be foolish and stupid to base our policies mainly upon the possibilities of temporary gain or loss to this or that group within agriculture, labor, or business. If peaceful solutions to these major problems cannot be found the ultimate costs in dollars, to say nothing of moral values and human lives, will be so vast as to make minor and temporary gains seem microscopic.

At the present time, the Western world, particularly the United States, has by far the greatest economic power. The East has a greater potential, particularly in manpower. But will the Western world, with its democratic traditions and institutions, and its current advantage in industrial development, be able to maintain that degree of unity necessary to check the spread of the police state with all that it implies? The answer to that will depend in great measure upon the policies and leadership of the United States.

Without economic cooperation from the United States many of the smaller countries of the Western world will be forced into other orbits, or will sink into such dire poverty as to lead them, of their own choice, to turn to totalitarianism and state action. The United States itself has so vast a territory and such great diversity of resources that it can satisfy, from within its own borders, a very large part of its needs. But for many, perhaps most, of the other nations the economies are built upon special kinds of production, and the dependence on foreign sources of supply for many essentials is far greater than our own. In the past the United Kingdom, both as ultimate consumer and as the world's great central market and finance mechanism, has provided an outlet for the specialty products of the smaller nations. Now, with her depleted investments and her curtailed buying power, she cannot perform in the old way this function so essential to the maintenance of a world-wide system of free, private enterprise.

It is not the purpose of this paper, however, to explore further these major problems which are of such overriding importance. Most of you are aware of them. Most of you have formed some opinions about them. I mention them only because I wish to make clear that in considering the importance of a few dollars' gain here or a few dollars' loss there we are dealing only with the minor disturbances of a calm peacetime sea, not with the tidal waves of major crisis which can sweep away all ordinary economic structures.

I shall confine my remarks in the main to the international trade problem as it relates to California agriculture, particularly its significance in the period between 1920 and 1940. The following speaker will deal with the changes brought about by World War II and the outlook ahead.

I need no more than mention the fact, well known to all of you, that California produces an amazingly diverse array of crops, and that these do not all have the same relationship to international trade. The agricultural output of California is unquestionably more diverse than that of any other state in the Union. We have, as a matter of fact, almost all the types of problems in regard to foreign trade that are to be found in the nation as a whole.

There are four main classes of California farm products, in terms of their relation to foreign trade. These are:

1. Those of which we produce a substantial excess over amounts needed to supply domestic demand. The growers of these crops are, of course, concerned with the strength of markets abroad and with the difficult problem of getting into the hands of foreign buyers sufficient dollar exchange to make possible a strong foreign demand. They are also much concerned with steps which look to freeing international trade as fully as possible from trade restrictions, currency controls, and state trading arrangements. Among the products in this group are raisins, prunes, apricots, oranges, barley, pears, canned peaches, canned asparagus, and cotton.

2. Products which we normally produce in quantities that are less than sufficient to supply the needs of the United States market. Growers of these commodities are concerned, so far as international trade is concerned, with the possibility that large foreign supplies will be brought in at low prices, thus injuring their markets and lowering their prices. In this group are walnuts, almonds, figs, flax, olives, and wool.

3. Products for which imports and exports are of little direct significance, either as a favorable or adverse influence. This group includes a very large part of the nation's agricultural production and a substantial part of

that of California. Among the products in this group are milk and cream, poultry and eggs, beef cattle, alfalfa, potatoes, vegetables, and small fruits.

4. There is a fourth category, not so well recognized, in which California farmers have, or should have, a lively concern with respect to tariff levels. This is the group consisting of farm supplies, particularly feed grains and fertilizers. California is a heavily deficit area for such products, particularly for corn. Huge quantities must be imported either from the Middle West or from abroad. We brought into the state in 1941 more than 400,000 tons of corn. This is one of our expenses of production, and tends to place our livestock growers, particularly the beef, poultry, and dairy interests, at a disadvantage with respect to their midwest competitors. It would seem logical, therefore, that both east- and west-coast livestock producers would favor minimum rates of tariff on their more important types of purchased feed. Fortunately this policy can be adopted without serious repercussions upon the midwest producer. Large as it is, from our standpoint, California feed purchase, and that of New England, is not a major factor in the pricing of midwest feed supplies. The entire cattle industry of the eleven western states is no more than fifteen per cent of that of the nation as a whole, and western hog production is even a smaller proportion. It would seem logical, therefore, that the east and west coastal areas should seek the feed supplies for their livestock industries from whatever source they can be obtained most economically and with a minimum of artificial pricing through tariffs. The importance of this consideration will be increased if, as seems likely, freight rates on midwest grains are substantially increased.

We are endeavoring here to see the problem from the standpoint of California agriculture as a whole, not in terms of a single product or industry. To do this we need to get some idea of the relative importance of the different lines of production not only in the California economy but in that of the nation as a whole. Foreign trade policy must obviously be made on a national basis, not in terms merely of local or state interests.

This inevitably involves a balancing and compromising of conflicting interests and serious weighing of the enormously important general considerations mentioned at the beginning of this paper. It does not mean, of course, that the interests and problems of minority groups should be ruthlessly disregarded. I shall have more to say on that in a later section. In order, however, that we may gain an over-all view of the relative weightings of the different segments of California agriculture in terms of California agriculture as a whole, and their relation to the national agricultural economy, the percentages of California and national agricultural income arising from the various types of agricultural production are presented in table 1.

It will be noted that by far the largest percentage of the state's agricultural income arises from products not importantly affected either by exports or imports. For example, the income from dairy products, poultry and eggs, beef cattle, truck crops, and field crops accounts for some sixty per cent or more of the total. The volumes of imports and exports and the prices for these products (except truck crops and field crops) during the interwar period are

Table 1
Cash Receipts from Farm Marketings
California and the United States--1939

	California		United States	
Livestock and products:	thousand dollars	per cent of total	thousand dollars	per cent of total
Dairy products	82,927	13.7	1,345,522	17.1
Cattle and calves	63,143	10.4	1,289,658	16.4
Eggs	26,712	4.4	437,386	5.6
Poultry	17,654	2.9	330,016	4.2
Wool	5,648	0.9	81,108	1.0
Other livestock and products	26,169	4.3	1,028,243	13.05
Crops:				
Truck crops	84,008	13.9	369,364	4.7
Other field crops	113,082	18.7	2,684,361	34.1
Citrus	72,687	12.0	128,504	1.6
Almonds	3,971	0.7	3,971	0.05
Walnuts	9,009	1.5	15,030	0.2
Other fruits	88,799	14.6	295,545	3.7
Other products (nursery, etc.)	12,198	2.0	238,266	3.0
Total crops and livestock	606,007		7,877,610	

Source: U.S.D.A. Bureau of Agricultural Economics, Cash Receipts from Farming by States and Commodities, Calendar years 1924-1944, (Washington, D.C., Jan. 1946). Table 6.

presented in succeeding charts and tables.

Next in importance are the products which before the last war depended heavily upon export markets. These products -- cotton, raisins, pears, prunes, apricots, citrus, and various others -- accounted for around twenty-five per cent of California's agricultural income in 1939. Since they are too numerous for individual analysis here, the relationships to international trade for one or two representative ones are presented in succeeding tables.

Third in importance are those crops which benefit directly from tariff protection. These -- such as almonds, walnuts, figs, flax, olives, and wool -- account for roughly some three to five per cent of California's agricultural income. Here also it is impractical to analyze in detail each of the products. Though not the most important one, the almond industry is taken as one of the most clear-cut illustrations of the general situation for this group.

To illustrate the points just made and the international trade situation between 1920 and 1940 for products of the first group, I have taken eggs, cattle and calves, and butter. These are shown in tables 2, 3, and 4.

Since for these products California production is a relatively small portion of the United States total, and California prices tend to follow those of the country as a whole, United States figures are used. It is evident from these three tables that, during the interwar period, neither imports nor exports of these products were very important.

For eggs the imports had by 1940 shrunk to practically nothing and had not been at any time sufficient in amount to have an important influence on prices. The imports of beef cattle and dairy products were likewise inconsequential as compared to the amounts produced within this country. Here, as in many other lines, the major factor affecting prices is the general level of prosperity in the United States.

To illustrate the situation for California products that are affected in an important way by the export situation, tables 5 and 6 are presented showing production, exports, and prices for prunes and apricots.

For dried fruits the United States figures are substantially the California figures since more than ninety per cent of the United States output is produced in California. Here it is apparent that there is a relationship between the price of the product and the size of the export market though the full significance of this is by no means brought out by these tables. Agriculture tends to maintain production regardless of price. Hence, when demand is weak, marketings remain high and quantities moving into either domestic or foreign markets are not sharply contracted. The amounts not taken domestically usually go into the markets abroad at whatever price other countries are able and willing to pay for them. It is thus of great importance to the growers of these products that foreign buyers be in a position to buy freely of American products, and that such buying power be widely distributed among foreign nations so the competition for them may be keen and active. Even for these

Table 2

Eggs: United States Production, Exports, and Imports; California Production and Farm Price -- 1924-1946

Calendar year	United States production a/	California production a/	United States exports b/	Exports as per cent of United States production	United States imports c/	Imports as per cent of United States production	California farm a/ price
	million				millions		cents per dozen
1924	34,592	1,453	343	.99	494	1.43	30.8
1925	34,969	1,432	304	.87	692	1.98	36.0
1926	37,248	1,701	326	.88	635	1.70	31.1
1927	38,627	1,791	352	.91	435	1.13	27.2
1928	38,659	2,053	248	.64	424	1.10	28.4
1929	37,921	2,038	149	.39	640	1.69	32.0
1930	39,067	2,242	225	.58	534	1.37	26.6
1931	38,532	2,187	95	.25	403	1.05	19.0
1932	36,298	1,898	28	.08	120	.33	17.2
1933	35,514	1,736	23	.06	110	.31	17.2
1934	34,429	1,775	24	.07	90	.26	19.0
1935	33,609	1,759	23	.07	270	.80	25.2
1936	34,534	1,958	26	.08	320	.93	23.2
1937	37,564	2,096	31	.08	380	1.01	23.9
1938	37,356	1,778	25	.07	77	.21	23.9
1939	38,843	1,661	32	.08	59	.15	21.6
1940	39,695	1,761	57	.15	85	.21	20.3
1941	41,878	1,743	3,052	7.28	180	.43	27.8
1942	48,597	2,001	5,542	11.41	36	.07	34.0
1943	54,539	2,225	8,325	14.71	12	.02	42.2
1944	58,530	2,538	8,736	14.94	12	.02	37.6
1945	55,858	2,302	5,142	9.20	41	.07	43.4
1946	55,613	2,345	4,344	7.81	9	.02	44.8

a/U.S.D.A. Bureau of Agricultural Economics, Farm Production and Disposition, Chickens and Eggs, 1909-1924, 1925-1937; Farm Production, Disposition and Income of Chickens and Eggs, 1934-1939; Farm Production, Disposition, Cash Receipts and Gross Income, Chickens and Eggs, 1940-1944, 1945-1946.

b/From calculations by John Harbell, based on Agricultural Statistics.

c/From calculations by Elizabeth Bauer, based on U.S. Dept. of Commerce, Foreign Commerce and Navigation, annual volumes. Until 1941, exports other than in shell form were very minor. Since the official figures do not give a breakdown as among dried, frozen, and canned eggs prior to 1942, the poundages other than shell are included on the basis of one dozen shell eggs equaling one pound. For 1941, the entire export other than shell is assumed to be dried eggs.

Tariff note: Eggs of chickens (in the shell) -- 1922 tariff, 8 cents per dozen; 1930 tariff, 10 cents per dozen; trade agreement with Canada -- 1/1/39, 5 cents per dozen.

Table 3

United States Production, Exports, Imports, and Prices of Cattle and Calves -- 1920-1946

Calendar year	United States production live weight	United States exports live weight	United States imports live weight	Imports as a per cent of United States production	Weighted average United States price received by farmers for beef
	thousand pounds	thousand pounds	thousand pounds		dollars per hundred pounds
	1	2	3	4	5
1920	12,402,914	475,656	375,242	3.03	8.71
1921	12,816,792	183,320	255,074	1.99	5.63
1922	13,185,275	146,532	132,342	1.00	5.73
1923	13,174,367	91,528	198,734	1.51	5.84
1924	13,401,665	68,926	143,482	1.07	5.84
1925	12,953,100	107,772	114,544	.88	6.53
1926	12,604,625	66,500	179,360	1.42	6.75
1927	12,072,445	58,326	143,310	1.19	7.62
1928	12,326,763	38,874	464,428	3.77	9.52
1929	12,753,939	33,540	570,606	4.47	9.47
1930	13,262,398	38,464	451,418	3.40	7.71
1931	13,400,949	38,134	82,202	.61	5.53
1932	14,190,814	33,134	101,846	.72	4.25
1933	15,369,948	28,438	115,326	.75	3.75
1934	14,503,576	43,614	115,526	.80	4.13
1935	13,650,546	40,352	273,408	2.00	6.04
1936	14,437,789	26,234	409,314	2.84	5.82
1937	13,745,695	32,306	390,900	2.84	7.00
1938	14,046,970	25,642	399,518	2.84	6.54
1939	15,097,570	28,742	507,812	3.36	7.14
1940	15,583,310	37,822	498,276	3.20	7.55
1941	16,718,195	33,242	530,710	3.17	8.80
1942	17,967,445	42,715	531,162	2.96	10.62
1943	18,706,781	81,829	542,036	2.90	11.90
1944	19,012,085	56,805	364,301	1.92	10.80
1945	19,345,320	189,145	384,750	1.99	12.10
1946	18,700,932	851,944	283,327	1.52	14.50

(Continued on following page)

Table 3 continued.

Sources:

Col. 1: United States Department of Agriculture, Agricultural Statistics, 1941, p. 344; 1946, p. 289. Brought up to date by United States Department of Agriculture, Meat Animals, Farm Production and Income, 1945-46, (April 1947).

Col. 2 and 3: United States Department of Agriculture, Agricultural Marketing Administration, Livestock, Meats, and Wool Market Statistics and Related Data, 1941 (May, 1942), p. 53. Brought up to date with United States Department of Agriculture, Production and Marketing Administration, Livestock Market News, Statistics and Related Data, 1946 (Sept. 1947); United States Office of International Trade, Industrial Reference Service, vol. V, part 5, No. 35, (August 1947), p. 5; and United States Department of Commerce, Foreign Commerce and Navigation, Monthly Summaries, 1945 and 1946.

Data converted to live weights by Elizabeth Bauer as follows: Weight of meat, fresh and cured, multiplied by 2; head of cattle multiplied by 500; both figures added together to give total exports and imports of beef and veal as cattle (not for breeding) and meat.

Col. 5: 1920-41 figures from United States Department of Agriculture, Agricultural Marketing Administration, Livestock, Meats and Wool Market Statistics and Related Data, 1941, (May 1942), p. 70. 1942-46 figures from United States Department of Agriculture, Production and Marketing Administration, Livestock Market News, Statistics and Related Data, 1946 (Sept. 1947). Prices given are those for beef. Veal prices ran a little higher. 1946 figures preliminary.

Tariff Note:

Beef and veal, fresh, chilled or frozen	
Not the product of Cuba (General Rates)	
1922 tariff ("Beef and Veal, fresh")	3¢ per lb.
1930 tariff	6¢ per lb.
The product of Cuba	
Cuba, T. A. 1/5/42	3¢ per lb.

Table 4

BUTTER
United States Production, Exports, Imports, and Farm Price

Calendar year	Total United States butter production	Exports	Exports as a per cent of United States production	Imports	Imports as a per cent of United States production	United States farm price
	thousand pounds	thousand pounds		thousand pounds		cents per pound
1920	1,566,558	17,488	1.1	37,454	2.4	55
1921	1,741,371	8,015	.5	18,558	1.1	38
1922	1,870,325	10,938	.6	6,957	.6	36
1923	1,985,589	5,846	.3	23,741	1.2	41
1924	2,082,013	8,257	.4	19,405	.9	40
1925	2,017,389	5,343	.3	7,212	.4	41
1926	2,027,100	5,483	.3	8,029	.4	41
1927	2,103,740	4,343	.2	8,460	.4	42
1928	2,064,089	3,898	.15	4,659	.2	43
1929	2,139,091	3,724	.17	2,773	.13	43
1930	2,118,516	2,954	.14	2,472	.11	36
1931	2,211,847	1,984	.09	1,882	.08	27
1932	2,275,582	1,605	.07	1,014	.04	21
1933	2,342,533	1,191	.05	1,022	.04	20
1934	2,253,357	1,220	.05	1,253[a]	.05	23
1935	2,183,900	958	.04	22,675[a]	1.0	27
1936	2,152,387	826	.04	9,874[a]	.5	29
1937	2,132,311	800	.04	11,111[a]	.5	30
1938	2,286,227	1,959	.09	1,624[a]	.07	27
1939	2,267,752	2,308	.10	1,107[a]	.05	25
1940	2,239,516	2,942	.13	1,385[a]	.06	27
1941	2,267,659	3,320	.15	3,724[a]	.16	31
1942	2,130,424	15,181	.7	20,080[a]	.9	35
1943	2,014,908	99,630[b]	4.9	3,264[a]	.16	44
1944	1,817,650	87,558[b]	4.8	1,731[a]	.09	44
1945	1,700,707	32,823[c]	1.9	3,740[a]	.2	46
1946	1,501,109[d]	13,768[c]	.9	7,010[a]	.5	59

(Continued on following page

Table 4 continued.

[a] Imports for consumption. Reexports not used in calculating net imports.
[b] Includes lend-lease -- about 99 per cent to U.S.S.R.
[c] Includes butter oil (dehydrated butter) and butter spread (Army butter).
[d] Preliminary.

Sources: Cols. 1, 2, and 4: 1920-1938 figures from Vial, Edmund E. Production and Consumption of Manufactured Dairy Products. U.S. Department of Agriculture, Tech. Bul. 722, Washington, D.C., April 1940. Corrections for certain years from U.S. Department of Agriculture, Agricultural Marketing Service. Farm Production, Disposition and Income from Milk, 1924-40, By States. Washington, D.C., May 1941. 1940-1944 figures from U.S. Bureau of Agricultural Economics. Milk: Farm Production, Disposition, and Income, by States, Revised Estimates, 1940-44. Washington, D.C., April 1947. 1945-46 figures from U.S. Bureau of Agricultural Economics. Farm Production, Disposition and Income from Milk, 1945-46. Washington, D.C., April 15, 1947. Production totals for each year obtained by adding figures on farm butter to totals of creamery butter produced as given in U.S. Bureau of Agricultural Economics. Production of Manufactured Dairy Products, 1927-1946. Annual numbers. Imports and exports for 1939-1946 obtained from U.S. Department of Commerce. Foreign Commerce and Navigation. Annual volumes.

Col. 6: 1920-1937 figures from U.S. Department of Agriculture. Gross Farm Income and Indices of Farm Production and Prices in the United States, 1869-1937. Tech. Bul. 703, Dec. 1940. Corrections for certain years from U.S. Department of Agriculture, Agricultural Marketing Service. Farm Production, Disposition and Income from Milk, 1924-40, By States. Washington, D.C., May 1941. Later figures as cited in above paragraph.

Table 5

Dried Prunes: United States Production and Exports, California Production and Prices Received by Growers, 1921-1946

Crop year	Production: United States harvested	Production: California: Harvested	Production: California: Not harvested	Production: California: Per cent of United States	United States exports: Quantity	United States exports: Per cent of production	California grower price per ton
	1	2	3	4	5	6	7
	short ton, unprocessed dry weight			per cent	tons[a]	per cent	dollars
1921	113,600	100,000		88	46,500	41	145
1922	160,900	126,000		78	39,100	24	150
1923	141,400	114,000		81	74,300	53	100
1924	163,900	139,000		85	85,000	52	110
1925	161,400	146,000		90	73,800	46	120
1926	192,400	151,000		78	86,000	45	100
1927	248,700	225,000		90	132,200	53	75
1928	228,800	221,000		97	134,000	59	100
1929	160,000	103,000		64	72,700	45	160
1930	285,100	261,000	13,000	92	152,900	54	63
1931	242,300	214,000		88	120,900	50	50
1932	194,400	168,000	4,000	86	93,000	48	55
1933	205,400	182,000		89	97,400	47	80
1934	201,100	171,000		85	79,200	39	60
1935	297,300	258,000		87	112,500	38	58
1936	184,200	159,000		86	79,700	43	80
1937	255,600	249,000		97	109,300	43	54
1938	238,200	224,000	64,000	94	105,600	44	42
1939	213,600	185,000		87	54,700	26	67
1940	177,610	175,000	9,000	98	27,000	15	55
1941	184,800	178,000	10,000	96	94,200	51	75
1942	177,000	171,000	1,000	97	52,100	30	146
1943	207,900	196,000		94	55,700	27	192
1944	163,400	159,000		97	43,600	27	218
1945	234,000	226,000		97	74,800	31	210
1946	221,500	213,000		96	72,700	33	256

[a] Exports are converted to unprocessed dry weight by dividing net declared processed weight by 1.03, for years beginning September 1 and include prunes exported in dried fruit salad.

Source: Data compiled by S. W. Shear, Giannini Foundation, from official production and price estimates of the United States and California Crop Reporting Service and official export data from reports of the Department of Commerce.

Table 6

Dried Apricots: California Production, United States Exports and Prices Received by Growers 1921-1946

Crop year	California production: Total all uses, harvested	California production: Dried, Fresh weight	California production: Dried, Dry weight	U. S. exports[a/]: Dry weight	U. S. exports[a/]: Per cent of production	California grower price per dry ton
	1	2	3	4	5	6
	short tons, fresh weight		tons	tons	per cent	dollars
1921	97,000	66,000	12,000	7,820	65.2	300
1922	160,000	85,000	15,500	5,230	33.7	380
1923	209,000	165,000	30,000	18,670	62.2	170
1924	136,000	88,000	16,000	6,410	40.1	263
1925	149,000	99,000	18,000	8,770	48.7	335
1926	173,000	103,400	18,800	8,710	46.3	370
1927	206,000	137,500	25,000	11,500	46.0	290
1928	173,000	121,700	22,100	12,070	54.6	280
1929	212,000	121,600	22,100	9,720	44.0	330
1930	185,000	131,000	23,800	11,900	50.0	210
1931	270,000	207,000	37,600	18,480	49.1	166
1932	253,000	194,000	35,300	16,810	47.6	100
1933	268,000	206,000	37,500	17,810	47.5	166
1934	139,000	92,400	16,800	7,750	46.1	290
1935	216,000	142,000	25,800	13,270	51.4	237
1936	248,000	177,200	32,200	14,220	44.2	220
1937	311,000	189,000	34,400	16,020	46.6	184
1938	166,000	117,600	21,400	14,680	68.6	216
1939	304,000	225,500	41,000	15,820	38.6	187
1940	103,000	58,300	10,600	1,560	14.7	245
1941	198,000	108,400	19,700	7,030	35.7	248
1942	199,000	114,400	20,800	5,110	24.6	395
1943	80,000	36,100	6,600	5,640	85.5	658
1944	324,000	141,600	25,700	7,380	28.7	608
1945	159,000	42,900	7,800	1,480	19.0	632
1946	306,000	98,600	17,900	4,400	24.6	600

a/ U. S. dried exports are all from California, converted to unprocessed dry weight by dividing net declared processed weight by 1.07, for years beginning July 1 and include apricots exported in dried fruit salad.

Source: Data compiled by S. W. Shear, Giannini Foundation, from official production and price estimates of the United States and California Crop Reporting Service and official export data from reports of the Department of Commerce.

products, however, it is obvious that the buying abilities and inclinations of American consumers are the most significant factor in the price situation.

But for products of which from ten to forty, or fifty, per cent is normally sold abroad the domestic market cannot possibly maintain a satisfactory price if foreign markets are extremely weak, hence the importance of strong foreign buying power to the growers of these crops. This is doubly important in that a number of these products are in the semiluxury class and, while keenly desired by foreign consumers, will not be purchasable by them so long as inability to buy adequate quantities of basic necessities forces the maintenance of exchange controls; or where foreign exchange regulations are used as economic and military weapons. For many of these products the only alternative to the redevelopment of a strong foreign market is a drastic downward adjustment in production which probably can only be brought about by a long period of ruinously low prices.

To illustrate the third group of commodities, the almond situation is taken as rather typical and is shown in table 7.

Here the usual situation is that the United States produces less than the amount used in this country. Considerable amounts are normally imported and since such imports must pay the prevailing tariffs, the tendency of the tariff is to strengthen the price for American-grown almonds. It is not safe, however, to assume too readily that these tariffs result in a United States price higher by the full amount of the tariff than it would be without the tariff. This depends on the other outlets available to foreign producers of the product. If they must sell in the United States in order to sell at all, one effect of a tariff of that kind is to depress prices in the foreign producing area. If their product has ready sale elsewhere, the probable effect of the tariff will be to maintain United States prices at something approximating the amount of the tariff above what they otherwise would be. Usually a tariff of this kind has both effects, some lowering of prices in the principal foreign producing areas and some enhancement of prices in the United States.

In general it will be noted that even for such a product as almonds or walnuts high imports and low prices do not go together. Quite the reverse is true. Both prices and imports were high during the twenties. Both prices and imports were low during the thirties. More recently imports have been heavy and prices moderately high. There can be little question but that the resumption of imports has had an adverse effect on prices. To what extent this level of imports is a temporary and to what extent a longer-term phenomenon is hard to say at this time. In part it is almost certainly the result of releasing stocks that could not be shipped during the war. In part it reflects the desperate need of Italy and Spain for foreign exchange.

During the war this industry, not normally a full supplier of the domestic market, had virtually a monopoly on that market because foreign almonds could not be brought in. Thus, in a period of high national income it was in an exceedingly favorable situation, one which could scarcely be expected to continue indefinitely with any control short of an outright embargo.

Table 7

United States Production, Imports, and Prices of Almonds
1920-1946

Crop harvesting year	United States production	United States imports year beginning July 1	Imports as a per cent of United States production	California farm price cents per pound
	unshelled tons			
1920	6,000	26,436	440.6	18.0
1921	6,200	46,726	753.6	16.0
1922	9,000	40,574	450.8	14.5
1923	11,000	40,346	366.8	13.0
1924	8,000	37,486	468.6	15.0
1925	7,500	32,813	437.5	20.0
1926	16,000	26,484	165.5	15.0
1927	12,000	30,660	255.5	16.0
1928	14,000	31,122	222.3	17.0
1929	4,700	33,258	707.6	24.0
1930	13,500	22,108	163.8	10.0
1931	14,800	13,898	93.9	8.8
1932	14,000	8,177	58.4	8.3
1933	12,900	8,686	67.3	9.3
1934	10,900	4,978	45.7	9.0
1935	9,300	14,927	192.8	14.0
1936	7,600	19,069	250.9	20.1
1937	20,000	5,122	25.6	13.8
1938	15,000	2,510	16.7	12.9
1939	20,000	2,292	11.5	10.5
1940	12,000	3,309	27.6	16.2
1941	6,000	6,205	103.4	35.2
1942	23,000	1,686	7.3	22.1
1943	17,500	18,878	107.9	36.6
1944	24,000	37,543	156.4	37.2
1945	27,200	30,414	111.8	36.0
1946	37,800	15,215	40.3	24.0

Sources: Col. 1: U.S. Bureau of Agricultural Economics, Tree Nuts, Acreage, Production, Farm Dispostion, Value and Utilization of Sales, 1909-45, (Oct. 1947), p. 11. Production for 1946 from California Department of Agriculture, Almond Market Information, Bul. No. 369, (9/16/47). The 1930 and 1940 Censuses reported small quantities of almonds produced in several states but about 99.9 per cent of the total production was in California. (Note in Agricultural Statistics, 1946).

Col. 2: U.S. Department of Agriculture, Agricultural Statistics, 1942, Table 410; 1946, Table 346. Imports for 1944 and 1945 computed from U.S. Department of Agriculture, Office of Foreign Agricultural Relations, Foreign Agricultural Trade, U.S. Foreign Trade in Agricultural Products, Fiscal Year 1945-46 with Comparisons. (Dec. 15, 1946). Shelled nuts converted to unshelled basis, at ratio of 1 to 3-1/3 Figure for 1946 computed from California Department of Agriculture, Almond Market Information Bulletin No. 369, (Sept. 16, 1947), which gives Sept. 1946 to June 1947 total, together with figures from July and August 1946 editions of U.S. Dept. of Commerce, Monthly Summary of Foreign Commerce of the United States. Corrected for assumed proportion of unshelled imports for these two months. Thus, 1946 figure is preliminary.

Col. 4: California Cooperative Crop Reporting Service, California Fruit and

(Continued on following page)

Table 7 continued.

Nut Crop, Annual Summeries.

Tariff Note:

Shelled - 1922 tariff 14 cents per pound
1930 tariff 16.5 cents per pound

Unshelled - 1922 tariff 4.75 cents per pound
1930 tariff 5.5 cents per pound

In general, the point that stands out in this chart, as in the others of similar type, is that high domestic prices stimulate imports. Low domestic prices depress imports. This is not to say that heavy imports may not at times depress domestic prices, but the record seems to indicate that, in most times, the other relationship is the more important one. Usually, heavy imports are associated with high prices, not with low ones.

In light of the situation described in the earlier parts of this paper, what is a logical, practical, and constructive position for California agriculture to take? There is no one simple and easy solution. Whatever way we turn there are problems and difficulties. It is quite possible that the best solutions for the various industries will be different, that some of them will run counter to traditional lines of thought among California farmers. For example, the wool industry has long placed its main reliance on tariffs. Recently, after a Presidential veto, it has accepted continuation of a program which in substance is a combination of a price floor and a two-price mechanism somewhat the reverse of those frequently urged for major export products. For export crops, on the other hand, a prominent agricultural leader in the state has proposed, as a transition measure, special earmarked credits to certain European countries for purchase of California, and other-state, specialty crops.

It seems to me obvious that special arrangements of various kinds will have to be made over the years just ahead. These, however, should not lead us to regard them as an ultimate goal. I believe the great majority of the farmers of California, and those of the United States as well, desire as soon as possible a world trade situation in which their products can move freely in whatever channels may be dictated by the usual type of private enterprise. They desire above all to see the liberally inclined nations of the world gain economic stability and sufficient unity that our kind of a society may continue to exist and prosper. Leaving entirely aside the political implications arising from the economic dilemmas of other democratic countries, it is evident that many of them, especially those of Western Europe and Eastern Asia, cannot for some years make exports comparable to their needs of imports.

They will seek dollar exchange in various ways -- through loans, through desperate efforts to sell in the United States those things of which they have or can produce surpluses. We have our own special interests to consider. At the same time, in our own larger, long-term interest we cannot afford not to try to find solutions that are in their interests as well as our own. British Empire wool and Italian almonds are good examples.

I have long had a keen interest in wool production and marketing. For many years I was an officer of a state wool growers' association. I still have many friends whose main interest is in the growing and selling of wool. I have long been familiar with the sheepman's predilection for the tariff as a solution to his problems. Yet I have also seen 57 cent wool with wool on the free list, and 9 cent wool when it carried a tariff of 34 cents a pound. At present there are huge carryovers of wool in the world. They will have to be liquidated in one way or another before the industry can be on a sound free-enterprise basis. For some years governmental action will be more important than private action.

I have no blueprint to propose for solving the problems of the wool industry. I am aware of the fact that United States wool production has been declining for some years. How big should it be? I don't know, and neither does anyone else. I think the industry has been wise in accepting a compromise that assures some stability in the industry until the problem can have more study. Some object that the program requires subsidies. But the tariff on wool is also a subsidy. Is it essentially different that we take an extra dollar out of the consumer's pocket by paying a subsidy or by levying a tariff? The dollar comes from the same place and eventually gets to the same place. It's merely the channel that's different.

I am not suggesting what the position here should be. I do think that California farmers have more to gain through some sort of stabilization of world trade procedures, such as that which has been under consideration at Geneva, than they would have had through inclusion in the wool legislation of a mere authorization for the President to raise the tariff on wool, an authorization that probably would not have been used by any President -- Democratic or Republican. The whole problem needs more study, and that study should approach it realistically and weigh all possible solutions, not merely one traditional one which was designed more than a hundred years ago.

Almonds present a similar complex problem. They are an important export product for Italy. Italy is desperately in need of foreign buying power. We want her to get on her feet economically. We do not want to see her go communist. On the other hand, we do not want to see an established American industry wrecked through desperation selling by a foreign competitor who may be forced to get her product out. This may occur either through lowering her prices or depreciating her currency. Here too I am not trying to suggest the answer. It is a complex problem, and one that should be tackled with the utmost realism, imagination, and constructive purpose.

One thing we need to face frankly. Important as it is agriculturally and politically, California is nevertheless not a big enough or strong enough tail to wag the whole United States. The Middle West is becoming less protectionist-minded than it was. Its major foreign trade product is wheat, and here its interest is on the export side. Hogs were once an important export product, but the domestic market is now adequate to absorb the output in most years. The South has long been interested in export markets, particularly for cotton and tobacco. The Northeast, having outgrown its domestic market industrially, is increasingly interested in foreign outlets. Hence, too great a reliance on our ability to increase or retain extremely high tariffs would seem to me to be building our future on a sandbar that may be gradually washing away.

We need now to give our best thought and study to achieving as sensible and constructive a solution to our international problem as we are capable of. Dogmatism should be set aside. No simple concept of either free trade or high protection will lead us to a solution of the complex problems facing us today. Do we want to trade with other countries? The answer to that seems to me fairly clear. Leaving aside the obvious historical fact that international trade was an important factor in the speed and strength of our national growth, I have pointed out in the beginning of this discussion that we are in the midst of a world-wide struggle between our way of life and one that is very different. Whether or not the United States could be self-sufficient, it is perfectly clear that many of the nations who are natural allies in a struggle against totalitarian ideologies are not and cannot be self-sufficient. Our trade policies must in some way be on a live and let-live basis, particularly with respect to those nations that are heavily dependent upon us or who look to us for leadership in achieving a reasonably peaceful and free world.

In achieving that end I believe the vast majority of Americans want to see main reliance for the guidance of trade placed on private enterprise rather than State trading. But State trading has become a very significant element in world trade, and may become more important. That outcome is virtually inevitable unless trade can be free enough so that most trading nations can remove restrictions on foreign exchange, particularly dollar exchange.

It is clear from what has already been said that a major problem from the standpoint of our export crops, and these are pretty important in California agriculture, is that of enabling other countries to obtain sufficient dollars to buy with. How can that best be done? We may as well recognize that, for a few years at least, the problem will have to be met in part through United States loans. Exports from the war-torn nations cannot rise fast enough to prevent a prolonged period of capital starvation. The longer that period of disorganization and under-production lasts the more favorable is the seedbed for the spread of communism and other forms of dictatorship.

But we do not want to rely on loans longer or more extensively than is necessary. Both in our interest and that of the borrowing countries, their productivity and buying power should be revived as soon as possible. Furthermore, the mere fact of granting loans does not solve the problems. Much will depend upon the wisdom with which they are handled, and we, as creditors, as well as the borrowing nations have an important responsibility in that.

But if the acquisition of dollar exchange by other nations is a major necessity in solving the problem, we need to examine possible means for accomplishing that. What can they sell us that we are willing to buy? It's here that the shoe pinches. Most producers are friendly to exports. Many fear the effects of imports. Oddly enough, we look at this from almost the opposite view from that which prevails in most private businesses. There we are always ready to buy where we can buy cheapest (quality considered). But we don't look at foreign trade that way.

In considering ways to facilitate imports that will give other nations dollar exchange it is unfortunate that public thinking centers so largely on agricultural products. It is evident that, in any adjustments looking in this direction, agriculture must expect to make some of the concessions. But the major opportunities at present do not lie in agriculture. We are not going to import in the near future any large quantities of wheat, cotton, corn, tobacco, or pork, the items that might run into big money. We shall undoubtedly import a good deal of wool, and some minor crops, but not in quantities and values to meet the foreign need for dollars.

There are a number of things we ought to import in our own long-term interest. During this last war we drew heavily on many of our nonreplaceable resources, and some that recuperate very slowly. For such things as minerals, petroleum, lumber, and pulpwood we should, as a matter of reasonable foresight, conserve our supplies. Some other things we may find it advisable to import unless national defense policies call for production here. Rubber is one of these. Wool and sugar we are not likely to produce in sufficient quantities to supply our home market. Coffee, bananas, cocoa, and such products, of course, do not present a problem.

We must as a matter of plain common sense look around for ways to increase imports and foreign buying power without unwarranted disruption of our own established industries.

It must be recognized, however, that conditions change and that industries grow and decline whether in competition with foreign production or not. Where such changes are occurring, particularly if the change results from government action, the whole problem should be explored realistically with a view to helping the industry to make needed adjustments, supporting it if the national interest warrants its maintenance at present levels, and aiding it if need be in periods of abrupt transition. I believe, however, that in a growing economy such as ours we can, if we will, find solutions to the problem of increased imports that will not do serious injustice to our established industries. We need to use a positive approach rather than the negative one of fearing all imports on the assumption that they will do us damage. California imports -- from other states -- pork, corn, lambs, butter, and many other things and does so to her advantage, but that doesn't mean that she wants to import oranges, lemons, raisins, and prunes.

The solutions to these problems will not come easily and will not be simple, nor will they be the same for all types of production. We need to give them our best thought and approach them as open-mindedly and realistically as possible.