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U.S. FOREIGN AGRICULTURAL TRADE: A PERSPECTIVE

by

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American farmers, nonfarm workers, and the general public have a significant stake in the foreign trade of U.S. agricultural products. Its value, measured by U.S. agricultural exports and imports, amounts to $10 billion a year. This two-way movement provides markets for the abundant U.S. production; necessitates adjustments to be more efficient and productive; furnishes jobs for people in financing, storing, shipping, and trading; permits higher living standards for consumers; and contributes to a stronger Free World.

A periodic perspective of foreign trade is essential to appraise and to recommend useful modifications in U.S. agricultural trade policies and programs. This article attempts to provide this perspective. It discusses the long-term and short-term magnitude and related characteristics of U.S. agricultural exports and imports and analyzes the meaning of and shows recent trends in the U.S. agricultural trade balance.

Exports

Export Trends

U.S. agricultural exports, both in value and volume, in recent years have been at their highest levels in history. The volume of agricultural commodities exported in 1963 was nearly double the quantity sent abroad in 1925 (fig. 1). The achievement of high export levels has come about through the development of export programs by people in agriculture, trade, and Government, and increased purchasing power accompanying economic growth in other countries stimulated partly by generous U.S. economic aid after World War II.

Following the boom years of 1925-29, the volume of U.S. agricultural exports fluctuated rather erratically around a level about one-fifth below the World War I

1/ Chief, Trade Statistics and Analysis Branch, Development and Trade Analysis Division, ERS. The author gratefully acknowledges the assistance of Catherine D. Cograve, Analytical Statistician in the Trade Statistics and Analysis Branch, in the preparation of this article.

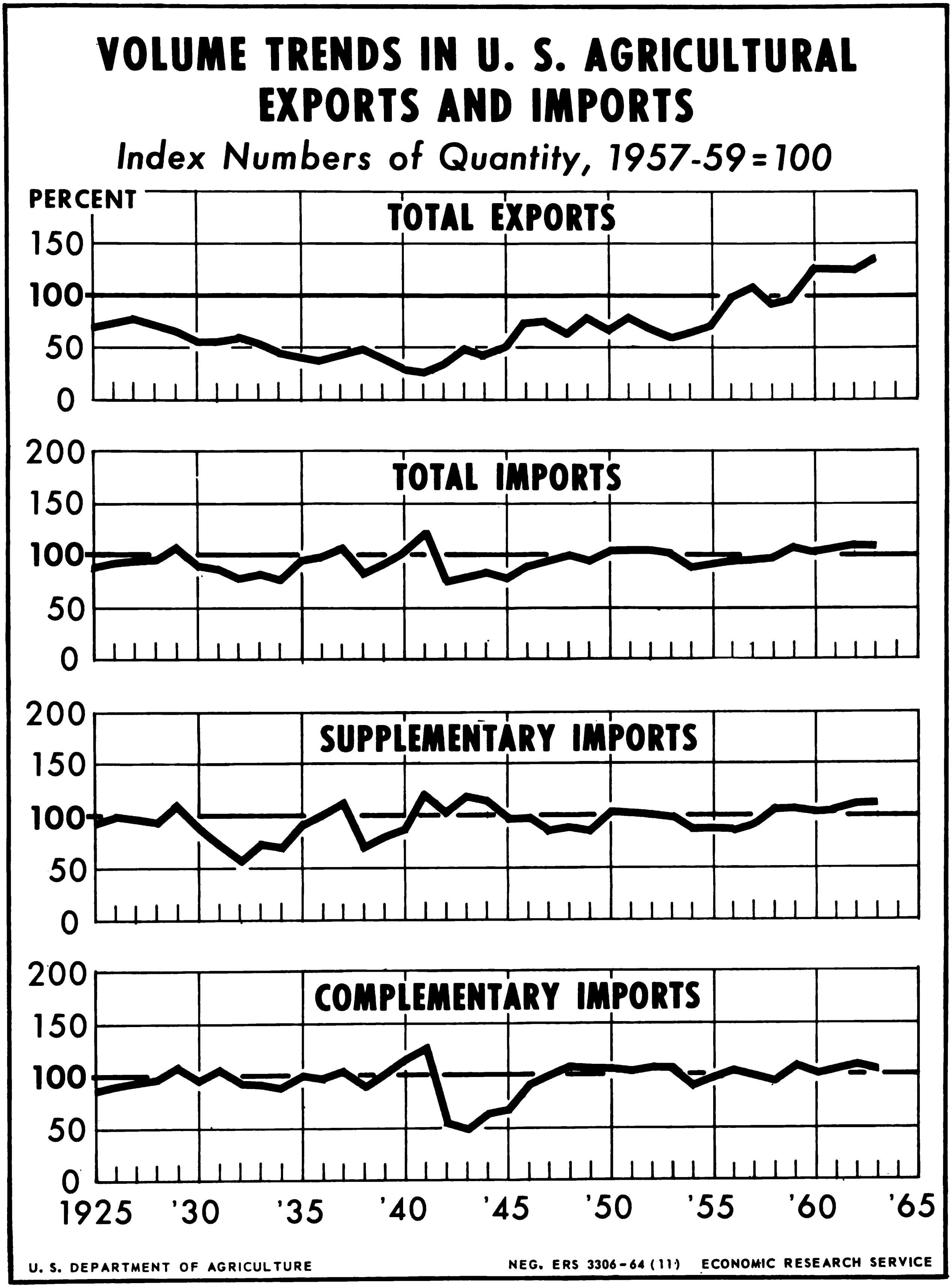
VOLUME TRENDS IN U. S. AGRICULTURAL EXPORTS AND IMPORTS
Index Numbers of Quantity, 1957-59=100
PERCENT
TOTAL EXPORTS
TOTAL IMPORTS
SUPPLEMENTARY IMPORTS
COMPLEMENTARY IMPORTS
0
50
100
150
200
1925
'30
'35
'40
'45
'50
'55
'60
'65
U. S. DEPARTMENT OF AGRICULTURE
NEG. ERS 3306-64 (11) ECONOMIC RESEARCH SERVICE

FIG. 1

peak of 1918-19. A downward trend prevailed from the late 1920's to 1940-41, a decline brought on largely by the movement of Western Europe toward agricultural self-sufficiency and restrictions on trade.

During the early years of World War II following adoption of lend lease, an upward trend in U.S. agricultural exports got underway. As a result of the emergency relief programs immediately following World War II and the subsequent aid to foreign countries under the Marshall Plan, military assistance to civilians in occupied areas, and related programs, the volume of agricultural exports was somewhat above the level reached at the end of World War II.

After the short-term stimulus of the war in Korea and the subsequent decline, U.S. agricultural exports evidenced a sharp upward trend with the implementation of the Agricultural Trade Development and Assistance Act of 1954, the continuation of Mutual Security shipments, the inauguration of shipments under the Act for International Development of 1961, and the gain in commercial exports for dollars.

Traditionally, the major U.S. agricultural exports have been wheat, feed grains, cotton, and tobacco. More recently, rice, vegetable oils, and oilseeds have become major export items, while animal products, fruits, and vegetables have been major items in years of surplus.

Exports in 1963

Exports of farm products in calendar year 1963 totaled $5.6 billion, exceeding the 1962 total by $600 million. 2/ The increase resulted mainly from larger exports of wheat and flour, animal products, oilseeds and products, cotton, tobacco, rice, fruits and vegetables, and feed grains. Dollar sales were much larger than Government program exports for all commodity groups except wheat and flour and rice. For rice, however, dollar sales did exceed Government program exports (fig. 2).

The $600 million gain in 1963 over 1962 included larger shipments to all world areas except Africa and Oceania, which declined only slightly.

Europe, the chief market area for U.S. agricultural products, remained so in 1963, but its share of the total declined to 42 percent in 1963 from 48 percent in 1958. Exports in 1963 to the European Economic Community (Common Market) increased slightly while those to the European Free Trade Association declined. U.S. agricultural exports to the European Soviet Bloc, while not large, increased by more than one-third over 1962, chiefly because of larger P.L. 480 shipments to Poland and credit sales to Hungary.

While Europe's role declined, Asia's role increased to a record $1,750 million of U.S. agricultural commodities in 1963, one-fourth above 1962, and nearly

2/ U.S. agricultural exports attained an alltime high of $6,074 million in fiscal year 1963-64, 20 percent above the previous record in 1962-63. Indications are that U.S. agricultural exports in calendar year 1964 may reach a new calendar year high of $6,145 million.

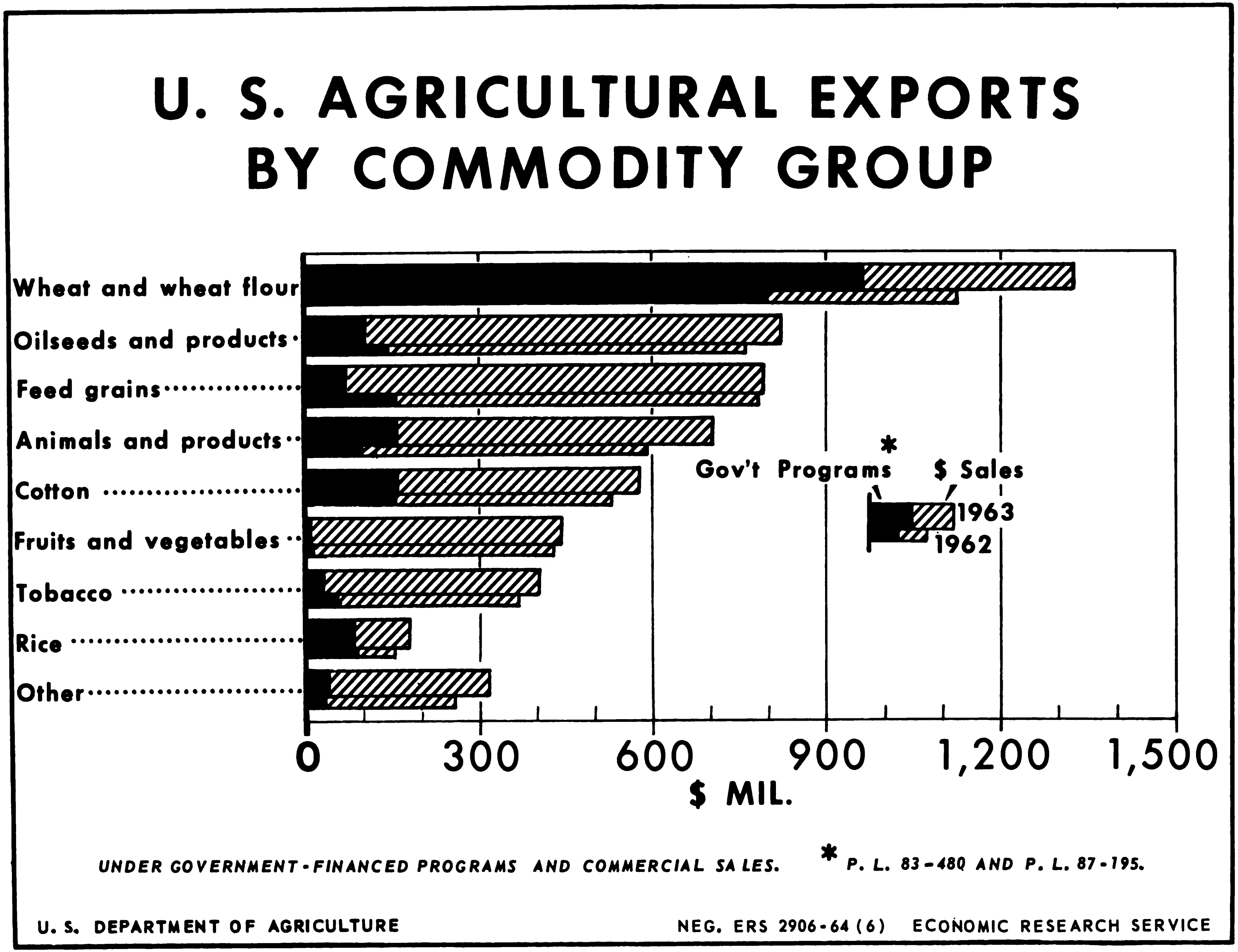
U. S. AGRICULTURAL EXPORTS
BY COMMODITY GROUP
Wheat and wheat flour
Oilseeds and products
Feed grains
Animals and products
Cotton
Fruits and vegetables
Tobacco
Rice
Other
*
Gov't Programs
$ Sales
1963
1962
0
300
600
900
1,200
1,500
$ MIL.
UNDER GOVERNMENT-FINANCED PROGRAMS AND COMMERCIAL SALES.
* P. L. 83-480 AND P. L. 87-195.
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FIG. 2

three-fourths above the 1958 total of $1,013 million. Thus, Asia's share advanced to 31 percent in 1963 from 26 percent only 5 years earlier. Over the past 5 years, exports to Japan, India, and Pakistan have increased markedly. Those to Japan were essentially commercial sales for dollars and those to India and Pakistan were nearly all foreign currency sales under Title I of P.L. 480.

The export increases shown for Canada in recent years are somewhat overstated. Since 1960, U.S. agricultural exports to Canada have included growing amounts of intransit commodities placed in bonded storage in Canada. These are used to finish loading ships moving through the St. Lawrence Seaway en route for foreign ports. After subtracting the $167 million of such intransit shipments from the total for Canada in 1963, shipments for consumption in that country amounted to $430 million, about one-tenth above the 1959 total.

Major country outlets for U.S. agricultural exports in 1963 were Japan, the United Kingdom, Canada, the Netherlands, West Germany, and India (fig. 3).

Dollar Exports

In developing agricultural export programs designed to expand U.S. agricultural exports, recognition has been given to the fact that there are two marketing worlds. One takes in the economically developed countries that have dollars with which to buy -- or "hard" currencies that can be converted to dollars. The other consists of the less developed countries which need U.S. supplies but lack dollar exchange.

Commercial sales for dollars are given top priority in developing export programs. Dollar sales, accounting for 70 percent of total agricultural exports, rose to $4 billion in 1963 from $3.5 billion in 1962. Dollar sales in 1963 were equal to total agricultural imports for the first time in the postwar period.

Leading U.S. dollar customers in 1963 included principally the countries of Western Europe, along with Canada, Japan, Mexico, Venezuela, and the Philippines.

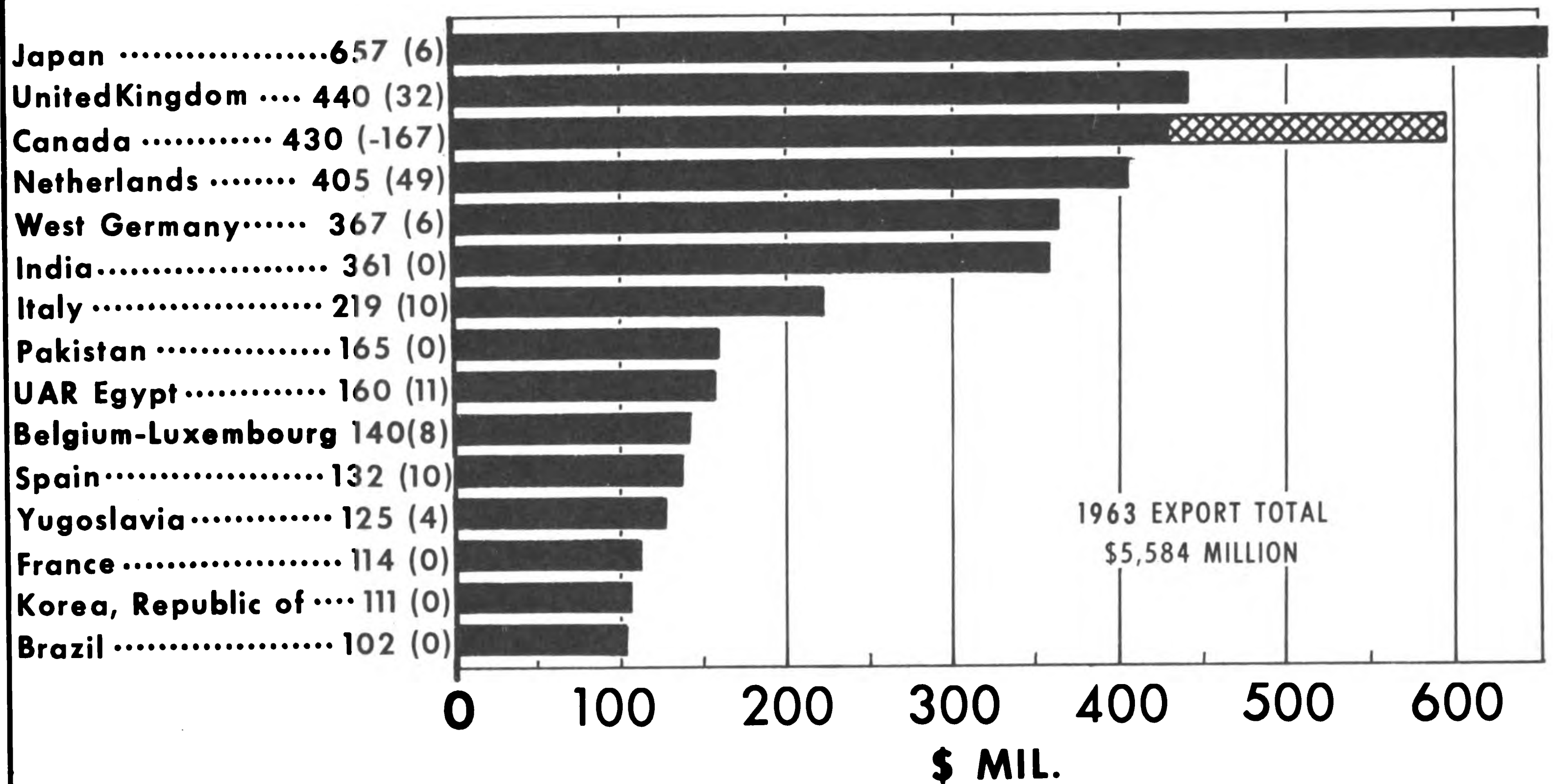
The leading commodities sold for dollars in 1963 included corn, soybeans, cotton, tobacco, wheat and flour, protein meal, grain sorghums, and rice.

Dollar exports since the passage of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480) to 1963 amounted to $26.9 billion -- 67 percent of the total value of all U.S. agricultural commodities shipped abroad.

Food for Peace Exports

The implementation of P.L. 480 represented a significant step forward to expand U.S. agricultural exports. This Act and the Act for International Development of 1961 (Public Law 87-195), which superseded the Mutual Security Act of 1954 (P.L. 665), were the principal legal authorizations designed to enable developing countries to secure U.S. farm products.

U. S. AGRICULTURAL EXPORTS BY COUNTRY, 1963



AMOUNTS IN PARENTHESES REPRESENT $167 MILLION SUBTRACTED FROM CANADA AND ADDED TO OTHER COUNTRIES TO ALLOCATE TO PROPER COUNTRIES SHIPMENTS TO CANADA USED TO FINISH LOADING SHIPS LEAVING THE ST. LAWRENCE SEAWAY.

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FIG. 3

Principal countries taking exports under Government programs or the Food for Peace program were the economically developing countries, among them India, Pakistan, the United Arab Republic (Egypt), Turkey, Yugoslavia, Republic of Korea, and Poland.

Leading commodities among the Government program exports were wheat and flour, cotton, dairy products (especially nonfat dry milk and anhydrous milk fat), vegetable oils, rice, feed grains, and tobacco.

For the 9-year period ending in 1963, Food for Peace exports totaled $13.2 billion and equaled 33 percent of the total value of all U.S. agricultural commodities exported.

The special Government export programs use four major approaches: Foreign currency sales, famine relief and donations, barter, and long-term credit.

Sales for foreign currency represent by far the largest of the special export programs. These sales enable friendly countries that are short of dollars to buy with their own currency the commodities that the United States has in large supply.

Much of the foreign currency received in payments is loaned back to the purchasing country for use in its development programs. In 1963, Title I of P.L. 480 accounted for 21 percent of total U.S. agricultural exports.

Grants of food to friendly countries from Commodity Credit Corporation stocks for emergency assistance in the promotion of economic development and newly developed areas are authorized under Title II of P.L. 480. Title III makes food supplies available for distribution abroad through voluntary agencies and international organizations.

Although these two kinds of programs in 1963 accounted for only 6 percent of U.S. total farm exports, their usefulness is much greater than the statistics may indicate. These are special-purpose programs to meet the particular needs or emergency circumstances or to feed people not reached by the commercial marketing system.

The barter program, also under Title III of P.L. 480 and other legislation, enables the United States to exchange surplus agricultural commodities for strategic and other materials less expensive to store and less subject to deterioration than farm products. Exports under barter represented a small share of U.S. agricultural exports in 1963, equaling 1 percent of the total.

A relatively new feature in the special export programs is Title IV of P.L. 480, which authorizes sales of commodities for dollars at moderate rates of interest, with up to 20 years to make payments. This program has been underway since the last quarter of 1961.

A new credit plan to encourage foreign countries to increase purchases of U.S. farm products was inaugurated in July 1963. The plan, previously restricted to foreign government agencies, was broadened to provide credit also to private firms to finance sales of American commodities.

While progress has been made in increasing exports under Government programs, just as for commercial sales for dollars, existing limitations make expansion difficult.

Underdeveloped countries, the principal recipients of U.S. Government shipments, often lack transportation, storage, and handling facilities to distribute imported food to their needy people. It is a major problem for the exporter and importer alike.

Work is going ahead so that the lack of physical facilities will eventually become less of a factor. In many countries there are no relief or welfare organizations of the type required to donate food through noncommercial channels. In many areas, customary eating habits keep people from making use of foods that the United States has in greatest supply.

Then, too, the role of the United States in the export market is so large that it must be watched carefully so that it will not disrupt the world market. U.S. programs must protect not only the commercial market for the United States and allied countries; they must also help, rather than hinder, the agricultural development of less prosperous countries.

Export Payment Assistance

About three-fourths of foreign agricultural products entering world trade competes directly with U.S. agricultural exports. The abundant production of American farms enables the United States to offer a wide range of agricultural products on the world market. However, domestic prices in some instances are higher than prices of competing farm products, especially for certain price-supported commodities. Then the Government may assist both commercial sales for dollars and sales under Government-financed export programs (P.L. 480 and P.L. 87-195) by means of export payment assistance. This consists of payments in cash and in kind and sales from Commodity Credit Corporation stocks at less than domestic market prices. When an export payment program is in effect for an agricultural commodity, all exports of the commodity, except donations, generally are eligible for export payments or differentials equivalent to export payments.

Export payment assistance was provided for $1,694 million of the $5,084 million of U.S. agricultural exports in fiscal year 1962-63. (Information is not available on a calendar year basis.)

Exports outside of Government programs (commercial sales for dollars) that benefited from export payment assistance equaled $721 million, while exports under specified Government-financed programs that received assistance totaled $973 million.

The estimated total export payment assistance on U.S. agricultural exports in 1962-63 equaled $628 million, which is excluded from the total value of agricultural exports.

Although a number of farm commodities benefited from export payment assistance in the year ended June 30, 1963, two major surplus commodities -- wheat (including flour) and cotton -- were the principal commodities assisted.

Exports of these two, which received export payment assistance, totaled $1,483 million and made up 88 percent of the $1,694 million of the exports receiving such assistance.

The export payment rate for wheat (including flour) was 67 cents a bushel and for cotton, 8½ cents a pound.

Other commodities benefiting from export payment assistance were rice, nonfat dry milk, butter, butteroil, cheese, tobacco, and peanuts.

Imports

Import Trends

The increase in the volume of U.S. agricultural imports in recent decades was much less than it was for agricultural exports. Yearly variations in the volume of agricultural commodities imported in the past decade were smaller than during the prewar and wartime periods. In the prewar period, imports declined sharply during the depression and increased considerably during the drought years that followed. During World War II increases in U.S. agricultural imports except for initial stockpiling of complementary (noncompetitive) commodities consisted entirely of supplementary (partially competitive) commodities (fig. 1).

In general, supplementary imports have tended to be attracted into the domestic market in times of relatively high domestic prices; and, conversely, such imports have tended to be discouraged when domestic prices were low relative to prices in exporting countries. Supplementary commodities include cane sugar, meats, cattle, apparel wool -- as distinguished from carpet wool -- vegetable oils and oilbearing materials, tobacco, grains and feeds, fruits, nuts, vegetables, cotton, dairy products, and hides and skins.

Complementary imports increased at the outset of the war in Europe as domestic stocks of coffee and rubber were built up in anticipation of wartime shortages. In addition to coffee and rubber, complementary imports include cocoa beans, carpet wool, bananas, certain spices, and raw silk. The quantity of complementary imports in 1940-41 reached one of the highest levels on record. In the next 2 years the volume declined as customary sources of supply became inaccessible and as shipping was diverted to more urgent wartime needs. As a result the volume of complementary imports reached one of its lowest levels in the 38-year period ending in 1963.

Despite the stability in the total volume of post World War II agricultural imports, the commodity composition has changed materially. Declines have taken place in wool, hides and skins, vegetable oils and oilbearing materials, and rubber. At the same time, there have been increases in meats and meat products, dairy products, cane sugar, and tobacco. Imports of grains and feeds increased to a postwar peak in 1952-53 but thereafter fell back to levels characteristic of nondrought and nonwar years.

The volume of imports has increased moderately since the early 1950's with the increase coming about from both an increase in supplementary and complementary commodities.

In contrast to the rise in their volume the value of complementary imports has declined since the early 1950's. A substantial part of the value decline has resulted from lower prices, reflecting surplus supplies of many items, especially coffee. In the past decade coffee prices have declined by about 35 percent, mainly because of the continued expansion of production in both Latin America and Africa.

While the value of complementary imports has been declining, the value of supplementary commodities has increased in the past decade. Supplementary imports averaged 43 percent of total agricultural imports in 1950-54 and 57 percent in 1963.

Imports in 1963

U.S. agricultural imports in 1963 advanced to $4,011 million, 4 percent more than in the previous year. Increased imports of supplementary products dominated the gain. Imports of complementary products were 1 percent lower in value.

Imports of supplementary commodities rose to $2,292 million in 1963 from $2,178 million a year earlier. Gains occurred in cane sugar, meats, fruits and preparations, nuts and preparations, coconut oil, and molasses. Somewhat offsetting were declines for dutiable cattle, apparel wool, copra, hides and skins, and tobacco (fig. 4).

Imports of complementary products declined to $1,719 million from $1,740 million a year earlier. Declines occurred mainly in coffee and crude natural rubber, with smaller reductions for spices and tea. More bananas, hard fibers, and carpet wool were imported. Higher prices resulted in an overall value increase for cocoa bean imports, although volume declined slightly. Coffee imports alone accounted for almost three-fifths of all complementary imports in 1962 and 1963 (fig. 5).

The United States imports agricultural commodities from more than 150 countries, but more than half in 1963 came from 10 -- Brazil, the Philippines, Australia, Mexico, Colombia, Argentina, New Zealand, Canada, Dominican Republic, and Peru (fig. 6). These countries shipped half of the supplementary as well as complementary imports taken by the United States. A number of major suppliers were the newly developing countries whose predominantly agricultural economies depend heavily on sales to the American market. Brazil continued to be the major supplier, with $493 million. Lower prices for a number of complementary commodities have resulted in a substantial decline in the value of imports coming from many countries producing complementary products.

While Latin America continued to be the most important source of supply in 1963, gradual changes have taken place in the past 6 years in the sources of U.S. agricultural imports. Imports from Latin America declined in both total and share of total. In 1963, imports from this area supplied 43 percent of U.S. agricultural imports compared with 52 percent in 1958. A substantial part of the decline reflected the U.S. embargo on Cuban products after 1960. Imports from Canada also declined in total and share of total. Imports from Asia, Europe, Oceania, and Africa gained in total value and share of total. Imports from Oceania increased most, rising to $432 million in 1963 from $153 million in 1958.

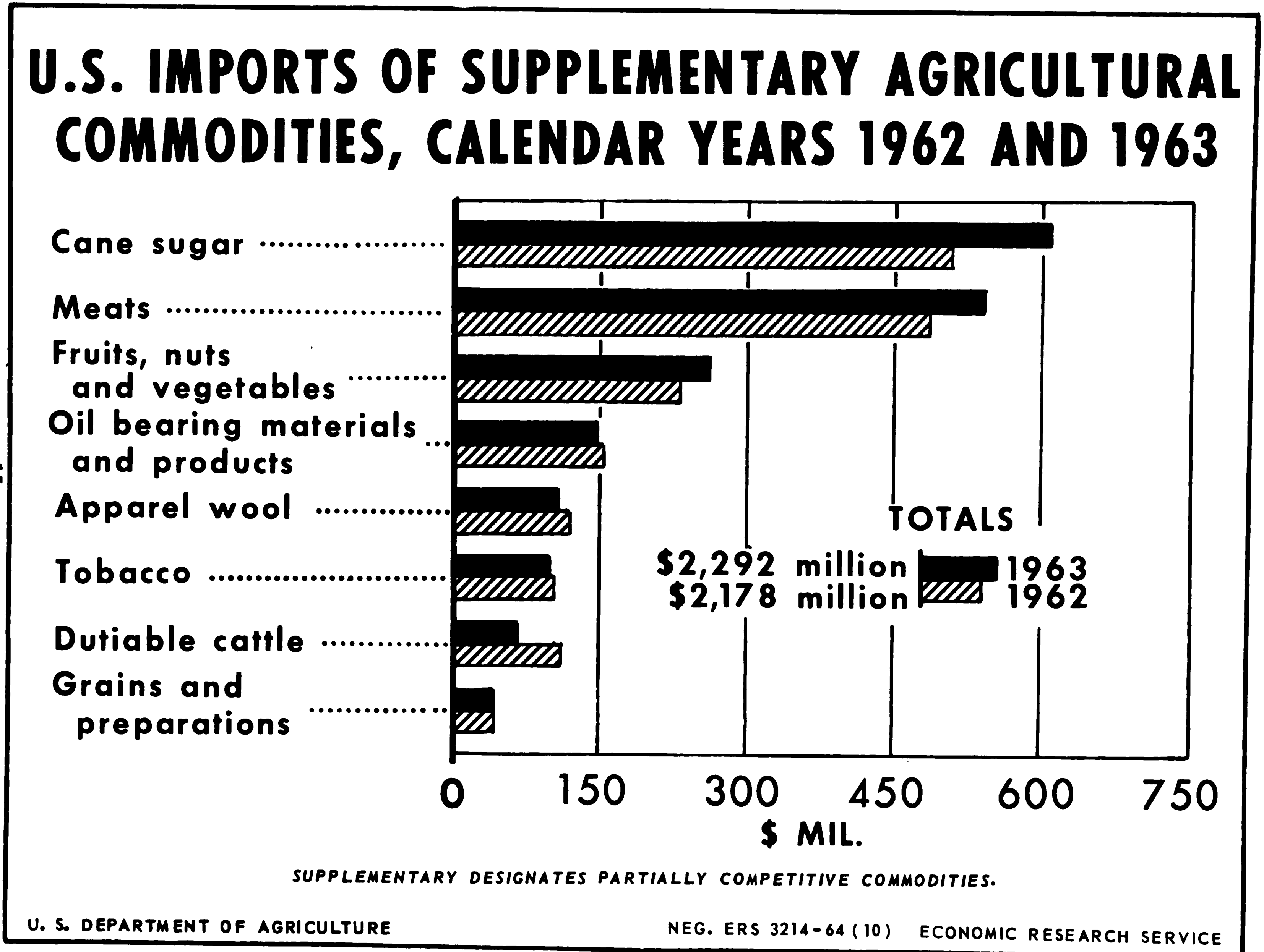
U.S. IMPORTS OF SUPPLEMENTARY AGRICULTURAL COMMODITIES, CALENDAR YEARS 1962 AND 1963
Cane sugar
Meats
Fruits, nuts and vegetables
Oil bearing materials and products
Apparel wool
Tobacco
Dutiable cattle
Grains and preparations
TOTALS
$2,292 million 1963
$2,178 million 1962
0
150
300
450
600
750
$ MIL.
SUPPLEMENTARY DESIGNATES PARTIALLY COMPETITIVE COMMODITIES.
U. S. DEPARTMENT OF AGRICULTURE
NEG. ERS 3214-64 (10)
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FIG. 4

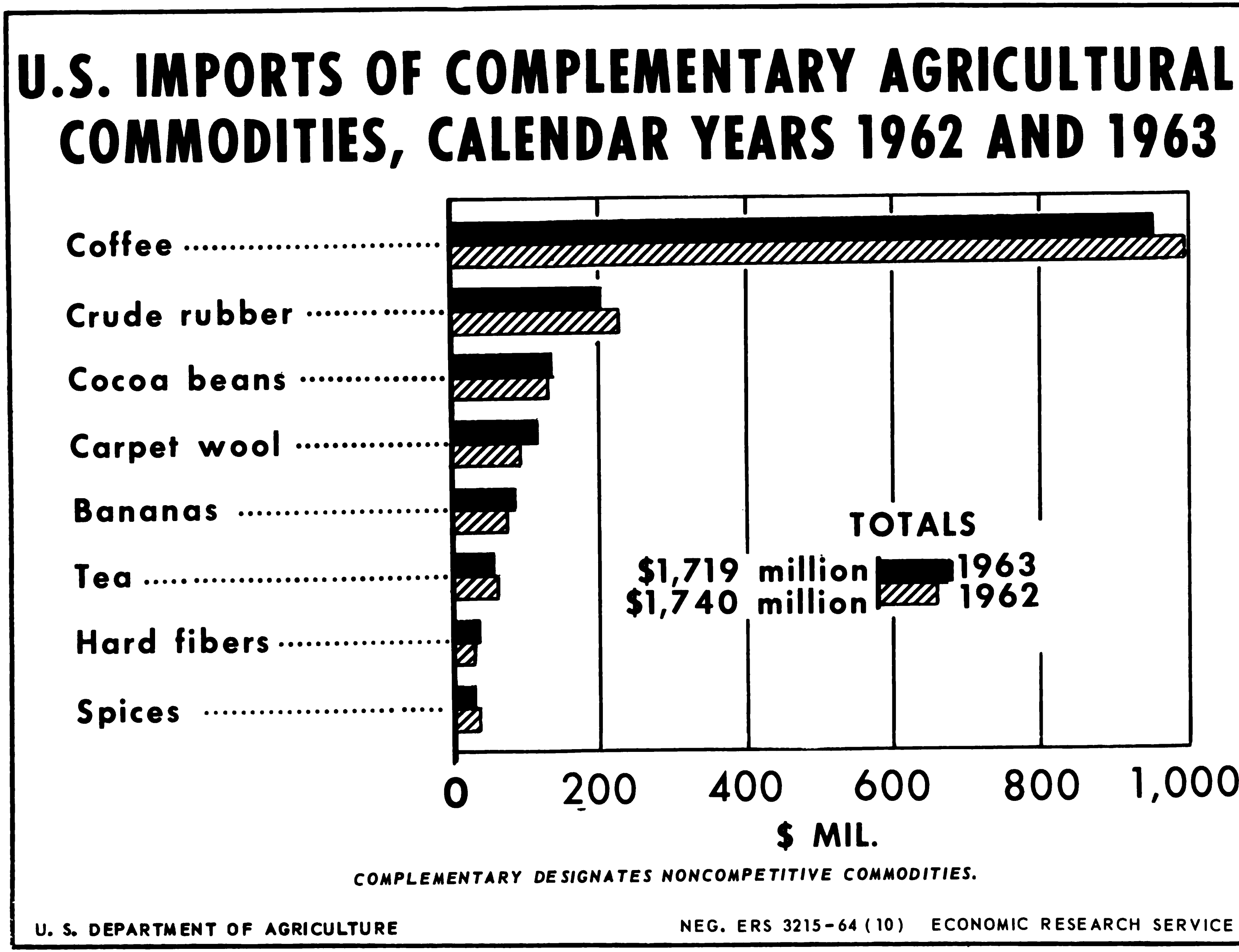
U.S. IMPORTS OF COMPLEMENTARY AGRICULTURAL COMMODITIES, CALENDAR YEARS 1962 AND 1963
Coffee
Crude rubber
Cocoa beans
Carpet wool
Bananas
Tea
Hard fibers
Spices
TOTALS
$1,719 million 1963
$1,740 million 1962
0
200
400
600
800
1,000
$ MIL.
COMPLEMENTARY DESIGNATES NONCOMPETITIVE COMMODITIES.
U. S. DEPARTMENT OF AGRICULTURE
NEG. ERS 3215-64 (10)
ECONOMIC RESEARCH SERVICE

FIG. 5

U.S. AGRICULTURAL IMPORTS, BY COUNTRY
CALENDAR YEAR 1963

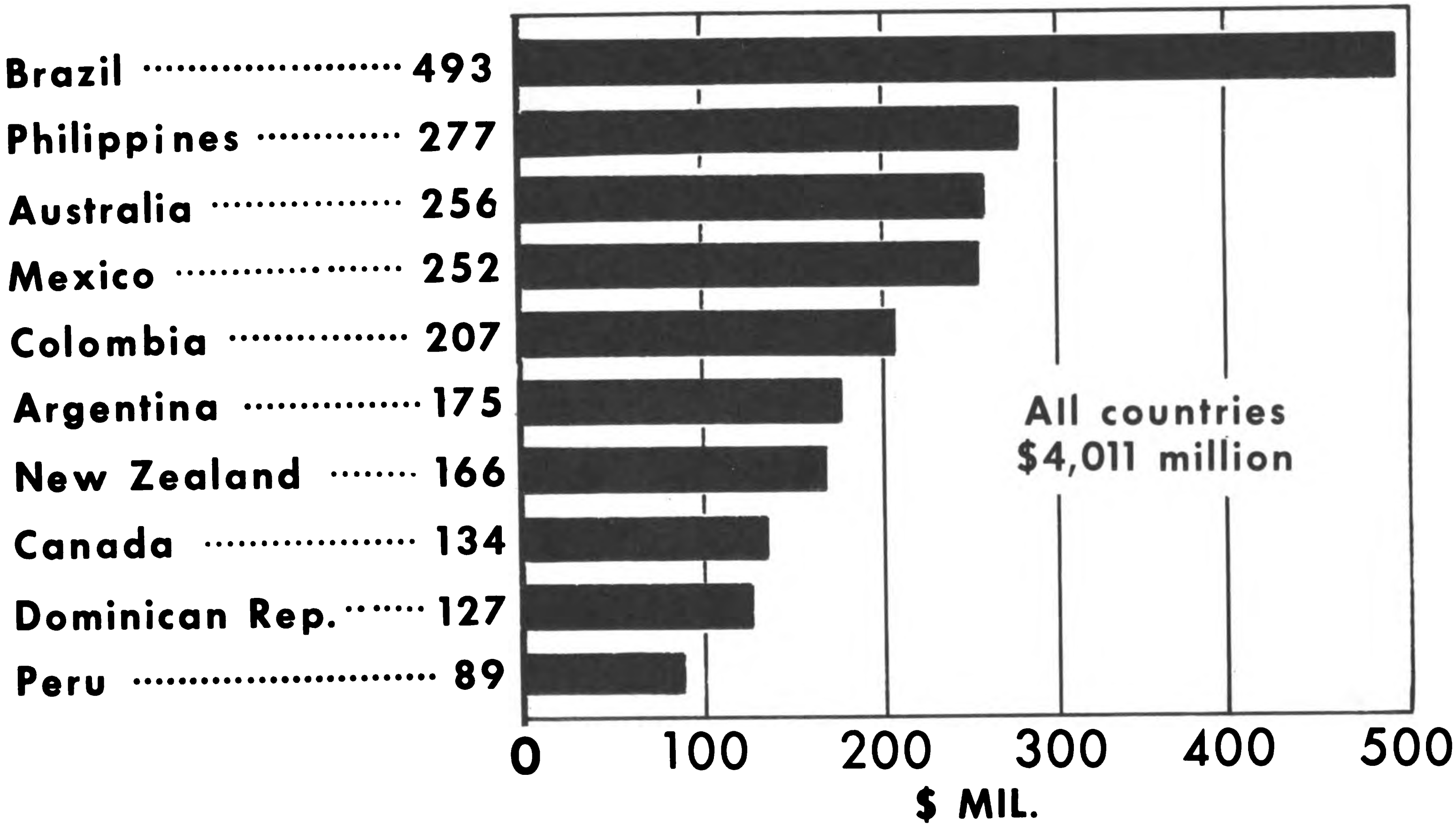

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FIG. 6

Import Regulation

Legislative authority exists to regulate U.S. imports of agricultural commodities under specified conditions. For example, when imports render ineffective or materially interfere with price support or stabilization programs conducted by USDA, Section 22 of the Agricultural Adjustment Act, as amended, provides that such imports may be restricted by the imposition of a quota or a fee in addition to an import duty.

Commodities currently controlled under Section 22 are wheat, wheat products, cotton, certain cotton wastes and cotton produced in any state preceding spinning into yarn (picker lap), certain manufactured dairy products, and peanuts.

Sugar imports are regulated by quotas under the Sugar Act of 1948, as amended, to provide a stable market for domestic sugar. The 1962 amendments provide for a larger share of the U.S. market for domestic producers. Moreover, all agricultural imports must meet U.S. requirements of health, sanitation, and quarantine.

Imports of certain meats may be regulated under specified conditions, as provided in P.L. 88-482. This law provides controls for fresh, frozen, or chilled meat of cattle and goats and sheep (except lambs), beginning with calendar year 1965, for any year when imports would otherwise rise 10 percent or more above an adjusted base quota. The base quota is set by the law at 725,400,000 pounds. However, before each year begins, the Secretary of Agriculture will adjust this quantity up or down by the same percentage that he estimates the average annual domestic commercial production of these commodities during that year and the 2 preceding years is above or below average production for the 1959-63 period.

Further, certain supplying countries have placed voluntary controls on shipments of certain products to the United States. These products are Colby cheese, Junex, frozen cream, and meat. Dairy quotas were first put into effect during 1962. Imports of Colby cheese are limited to an estimated 11.2 million pounds, Junex to 2.2 million pounds, and frozen cream to 1.5 million gallons. (Junex is a butterfat-sugar product containing not more than 44 percent butterfat). Voluntary meat agreements were signed between the United States and Australia, New Zealand, Ireland, and Mexico in 1964 to limit exports of beef, veal, and mutton to the U.S. market through 1966. In 1966, renegotiations of the agreements will be undertaken. The agreements are designed to prevent further expansion of imports at recent rapid rates, but at the same time they will permit the supplying countries to share equitably with U.S. domestic producers in the growth of the U.S. market.

American farmers carry out their production operations with less tariff protection from competitive imports than do farmers of most other countries. Average import duties are relatively low for U.S. agricultural imports. About half of agricultural imports, including nearly all of the complementary commodities, were free of duty in 1963.

For the dutiable commodities, mostly supplementary, the ad valorem equivalent of all duties it is estimated averaged 10 percent, compared with 88 percent in 1932. For all agricultural imports -- both free and dutiable -- the ad valorem equivalent averaged 6 percent in 1963.

Trade Balance Comparisons

A consideration of agricultural export-import comparisons and the resultant trade balance necessitates a clarification of the meaning and application of the balance-of-payments statistical tabulation and the closely related but more restrictive balance-of-trade formula.

The balance-of-payments computation covers all types of international transactions between residents of the United States and residents of the rest of the world and involves the transfer of ownership of something of economic value, measurable in monetary terms. This may be merchandise, a service, a capital asset, or an investment -- private or governmental.

A surplus in the balance-of-payments arises from an excess of total receipts over total payments. Conversely, a deficit occurs from an excess of total payments over total receipts. A surplus in the balance-of-payments results in a net increase in U.S. gold and convertible currency holdings and/or a decrease in U.S. liquid liabilities. A deficit results in a net decrease in U.S. gold and convertible currency holdings and a rise in U.S. liquid liabilities.

The balance-of-trade, on the other hand, refers to the difference (excess or deficiency) expressed in value between merchandise exports and imports moving between the United States and other countries.

Valuation

Of significance in determining the balance-of-payments and the balance-of-trade are the valuation premises used.

U.S. exports are valued at the U.S. port of exportation f.o.b. (freight on board); U.S. imports are valued on an f.o.b. basis at the foreign port of origin. The latter valuation is done by virtue of Federal statute, which generally imposes duties on imported products on the basis of value at the foreign port, thereby excluding ocean freight and insurance charges.

For balance-of-payments purposes the f.o.b. at port or origin is more appropriate than the c.i.f. (cost, insurance, and freight) basis. In considering a nation's international position, account must be taken not only of merchandise trade but also of a variety of other transactions, including transportation services, tourism, investment, loans, and gifts. Since these various types of payments respond to different sets of influences, it is important to measure and analyze them separately to the degree possible.3/

3/ Letter from Raymond T. Bowman, Assistant Director for Statistical Standards, Executive Office of the President, Bureau of the Budget to Honorable William Proxmire, Chairman, Subcommittee on Economic Statistics of the Joint Economic Committee, U.S. Senate, Washington, D.C., February 1, 1962, as reprinted in Hearings before the Committee on Finance, U.S. Senate on H.R. 11970, July 1962, pp. 173-176.

The use of the f.o.b. procedure for balance-of-payments analyses properly attributes only the imported merchandise to the country of origin. Estimates of freight and other costs of ocean shipping are made separately, from other data sources, and are incorporated into the comprehensive summary of the balance of international payments, broadly allocated to regions of the world. Further, commodity cost and the costs of ocean transportation are affected by different sets of forces; any analysis of commodities in international trade as such is more precise if carried out with foreign value figures, so that, for example, changes due to changes in ocean freight rates are not misinterpreted as reflecting basic changes in the cost or prices of the products at their source.

For balance-of-trade purposes, however, imports valued on a c.i.f. basis represent a more appropriate measure in relation to domestic production or consumption. Such a basis approximates more closely the values at which the imports move into domestic trade. Thus, it could be misleading to use the foreign value f.o.b. basis as a measure of the impact on U.S. markets of a bulk import for which transportation costs constitute a large proportion of the ultimate price. 4/

The f.o.b. valuation procedure undervalues U.S. agricultural imports for balance-of-trade comparisons. Although there is no evidence at this time as to the extent of this undervaluation estimates for recent years indicate that for U.S. import trade as a whole a c.i.f. valuation as contrasted with the presently used f.o.b. valuation would raise the total value by a margin less than 10 percent, although for particular components of trade the percentage would be much higher. 5/

Even though limitations exist in terms of balance-of-trade comparisons with imports measured on an f.o.b. basis, such comparisons do provide useful indicators of approximate trade balances as well as trends in these trade balances.

Trade Balances

Based on the f.o.b. valuation premise, it may be noted that the U.S. agricultural trade balance (total U.S. agricultural exports less total U.S. agricultural imports) was much more favorable in the 1962-63 period than it was in the postwar years of 1946-49. The favorable trade balance for 1962-63 averaging $1,365 million was 2½ times as large as the average $552 million balance for the 1946-49 period. The improvement in the trade balance came about from rapidly rising agricultural exports, for the most part stepped up dollar sales, which have more than offset the rise in agricultural imports (fig. 7).

With the increase in U.S. commercial exports for dollars since the end of World War II, such exports have come close to total U.S. agricultural imports in value and have attained an improved position relative to total agricultural imports. For example, dollar sales in 1946-49 averaged $1.1 billion less than total U.S. agricultural imports but by 1962-63 they averaged only $200 million less.

4/ Ibid.
5/ Ibid.

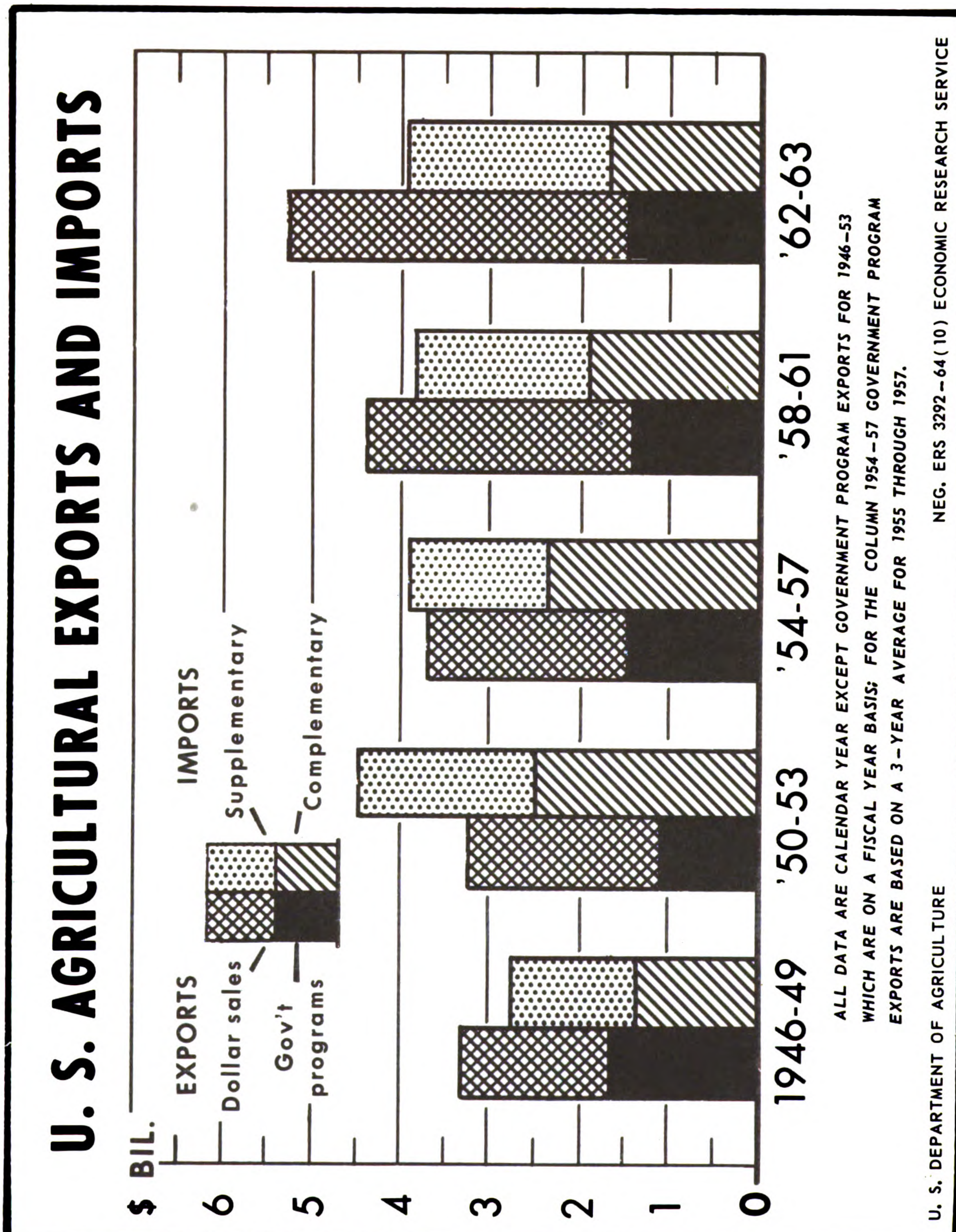

FIG. 7

Dollar sales
an improved
States had a
the value of
averaged $1.

U.S. agricul
factors have
accompanyin
competitive

The princip
countries o
export comm
grains, and

In contras
in volume
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Value incr
pronounced
increases.

The value
declining
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Dollar sales compared with supplementary agricultural imports also evidenced an improved position since the end of World War II. At that time the United States had a favorable trade balance of dollar sales of $268 million above the value of supplementary imports, while by 1962-63 the trade balance averaged $1.5 billion because of an appreciable rise in dollar sales.

Summary

U.S. agricultural exports in recent years have increased greatly. Many factors have accounted for the rapid rise, including increased purchasing power accompanying economic growth abroad, effective market development programs, and competitive pricing of U.S. farm products in international markets.

The principal markets for U.S. agricultural exports are Japan, the developed countries of Western Europe, Canada, and India. Leading U.S. agricultural export commodities are wheat including flour, oilseeds and products, feed grains, and cotton.

In contrast to U.S. agricultural exports which have evidenced a dramatic rise in volume since the early postwar years, U.S. agricultural imports have shown a more moderate increase in volume.

Value increases in total U.S. agricultural exports and imports have been more pronounced since the early postwar years than has been the case for volume increases.

The value of complementary (noncompetitive) agricultural imports has been declining, while the value of imports of supplementary (partially competitive) agricultural commodities has been increasing in the past decade. Supplementary imports now account for approximately three-fifths of the value of total U.S. agricultural imports.

Although the United States imports agricultural commodities from more than 150 countries, over half in 1963 came from 10 -- principally the developing countries.

For purposes of this article the U.S. agricultural trade balance, that is, the value of total U.S. agricultural exports less the value of total U.S. agricultural imports, is based on U.S. exports valued at the U.S. port of exportation f.o.b. (freight on board) and U.S. imports valued on an f.o.b. basis at the foreign port of origin in accordance with Federal statute. Although an f.o.b. valuation procedure undervalues imports to a certain extent for balance of trade comparisons, it does enable approximate trade balance comparisons. The U.S. agricultural trade balance for the two-year period of 1962-63, for example, was 2½ times as large as in the early postwar period of 1946-49.

The favorable trade balance came about for the most part because of a rapidly rising trend in value of U.S. agricultural exports of sufficient magnitude to offset the value increase in U.S. agricultural imports. All of the increase in value of total U.S. agricultural exports since the postwar years of 1946-49 was the result of increased commercial exports for dollars. In addition nearly all of the increase in total exports since 1954-57, the early years of P.L. 480, was in commercial sales for dollars.

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