Agricultural Policies of Foreign Governments

Including Trade Policies Affecting Agriculture

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PREFACE

The national policies of individual countries regarding agriculture are an important determinant of the size and composition of world trade in agricultural products. The present study brings together brief reviews of the policies in the countries that are either important markets for United States agricultural products or important competitors. This report follows upon earlier efforts of this kind. Thus, depression policies before World War II were first reviewed in Agricultural Price-Supporting Measures in Foreign Countries, FS-56, U.S. Department of Agriculture, Bureau of Agricultural Economics, Foreign Agricultural Service, July 1932, and then further elaborated in World Trade Barriers in Relation to American Agriculture, Senate Document No. 70, 73d Congress, 1st Session, Washington, 1933. Another review of such policies was given in "Foreign Agricultural Policies--A Review and Appraisal," Foreign Agriculture, January and February 1938. The policies of foreign countries of the postwar period to 1953 were discussed in Agricultural Market and Price Policies in Foreign Countries, Foreign Agriculture Report No. 74, USDA, FAS, September 1953.

The present study describes the status of agricultural policies as of the middle of 1957. It discusses briefly the dependence of each area on trade in farm products, either as an importer or as an exporter. It gives the goals of agricultural policy, as they have been explicitly stated, or as they are implicit in the actions of governments. The regulation of foreign trade in agricultural products and internal market and price policies, including price supports, direct subsidies, and production controls, are briefly described. Each country section also makes reference to indirect aids for agriculture, such as those given through agricultural credit, agricultural extension services, and land or development policies.

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SUMMARY

Government intervention in agriculture, in varying degree, is standard practice throughout the world. Both tariffs and quantitative trade restrictions are major instruments of agricultural protection, and foreign trade regulation in some combination with internal market regulation is a commonly used system of commodity price support.

United States exporters of farm products frequently find that these regulations seriously limit the operation of the law of supply and demand.

Agricultural controls were widely adopted during the Great Depression of the 1930's. Then, the aim was to halt the headlong fall in farm prices and to protect the balance of payments. During the emergency of the Second World War, controls were further intensified. Since that time, many have been gradually relaxed. Yet government intervention in agriculture remains strong in most countries.

Present Policy Goals

Government controls over agriculture and agricultural trade in Free World countries are generally designed to protect domestic farm prices and income and to promote production. The emphasis varies, however.

Broadly speaking, the higher-income industrialized countries, such as those of Western Europe, aim mainly at raising the relatively low income of their farm population. Income parity with the nonfarm population is a frequently mentioned goal, partly incorporated in basic legislation. Maintenance of food production as a part of national security is often cited. So is support for the numerous small farmers in the interest of social stability. Further expansion of farm output is only a secondary goal in most of these countries.

On the other hand, the underdeveloped countries of the Free World, which are largely producers of primary products, stress chiefly increased agricultural production. The threefold purpose is to get a better diet for their people, to provide raw materials for their growing industries, and to export more farm products to help pay for capital goods needed in economic development. Most of these countries have embarked on large-scale agricultural development programs, often drawn up within the framework of national economic plans.

The countries of the Communist orbit have attempted over the years to squeeze the resources for industrial development out of their agriculture, often through harsh and drastic measures. National planning is everywhere a basic feature. Overemphasis on industrialization and efforts in most such countries to emulate the Soviet Union in collectivizing agriculture have severely hampered agricultural development. Recently, controls over agriculture have been modified in some Communist countries to put more emphasis on economic incentives.

Major Characteristics of Government Intervention

In pursuit of their policy goals, practically all Free World countries today provide price and income support to agriculture. Various protective devices are used.

These devices almost invariably include regulation of foreign trade in farm products, and some regulation of internal markets and prices for at least one farm commodity, and usually more. Price support programs, with built-in trade and internal controls, are found in many countries.

Practically all governments also promote improvements in technology to increase productivity. Progress has been rapid in the industrialized countries. It has been severely restricted in most other parts of the world, however, owing to illiteracy, lack of investment capital, and, in several countries (particularly in Asia) the limited arable land per capita.

Protection for domestic agriculture and encouragement of productivity have been accompanied by a relaxation of many of the trade controls that have hampered United States agricultural exports. Such relaxation includes tariff reductions and other action under the 10-year-old General Agreement on Tariffs and Trade (GATT).

Liberalization of imports (i. e., the removal of quantitative import restrictions) has been most marked in Western Europe, where gold and dollar reserves grew substantially in the first half of the 1950's. Some West European countries have liberalized tobacco and a number of foods and feeds to both dollar and nondollar areas. But the farm products most generally liberalized are cotton and other raw materials, including oilseeds, that are required by Europe's industry but that are not produced at home in significant quantity.

Most Free World countries are committed to a program of trade liberalization. This program should result in further liberalization of dollar as well as nondollar farm products. Nevertheless, agricultural protectionism is deeply rooted, and United States exporters may expect to encounter widespread regulations on agriculture and agricultural trade that governments consider essential to further basic policy goals.

Regulation of Foreign Trade

Practically all countries rely heavily on some forms of trade regulation to carry out their policy objectives.

Tariffs and import fees, the traditional means of restricting imports, continue to be used nearly everywhere. But their effect in most countries is overshadowed by newer devices, including quantitative controls over imports and exports.

Quantitative controls may exist in the form of import quotas, or as outright embargoes. Technically, they are enforced by a licensing system that frequently is connected with exchange control. Exchange controls are in themselves an important variety of quantitative restriction still employed widely. Under all these controls, the foreign businessman must have his government's permission to trade abroad.

State trading, or trade monopolies, is another important regulating device. State monopolization of all foreign trade is characteristic of the Communist countries. In Free World countries, state trading also exists but it is used less extensively and is applied to selected commodities.

Bilateral trade and payments agreements are the commonest form of discriminatory trade control. These are agreements between governments and usually set forth the terms and the maximum quantities for which import or export licenses will be granted if the trade finds it advantageous to deal. Thus, they limit the opportunity for other countries to compete. Preferential tariffs or quotas, as well as clearing unions, fall in this category.

Many nations, at the same time they are discouraging imports, actively encourage exports. Some of the controls mentioned, such as bilateral agreements, have had this objective. Of major, though decreasing, importance are export subsidies, direct and indirect, including multiple exchange rates and preferential freight rates. These export subsidies usually result in a two-price system.

Export taxes, although mostly designed for revenue purposes, are also a widely used form of control in the underdeveloped countries. In times of high world prices, exporting countries have found it possible to levy substantial taxes on exports--for example, Egypt on cotton, Pakistan on jute, India and Ceylon on tea. By varying such taxes, governments influence both the domestic and the export prices of their products.

Internal Market and Price Regulation

In most of the developed and many of the underdeveloped countries, internal market and price regulations have been coupled with foreign trade controls as instruments of agricultural policy. In some areas, however, such as the Far East and Latin America, internal controls are most frequently used to keep consumer prices in check.

Internal controls take various forms. Most widespread are fixed or support prices. Prices may be fixed at the farm, the wholesale, or the retail level, or at all stages of distribution. Fixed farm prices sometimes are, sometimes are not, accompanied by purchase guarantees.

Farm support prices imply market intervention of one kind or another. Such action may be taken to maintain fixed as well as support prices. It usually includes, in addition to foreign trade controls, purchase and storage operations and sometimes surplus disposal at home or abroad.

Guaranteed farm prices as applied to some products in the United Kingdom and a few elsewhere fall into another category. Market prices are allowed to find their own level, and the government makes up the difference between the market price and the guaranteed price.

Market regulations are often used not only to maintain fixed or support prices, but also to even out the seasonal flow of market supplies and equalize prices, to channel the flow to market, to restrict volume of deliveries, or to control the trade completely. They may be operated through state monopolies, as, for example, the tobacco monopolies found in many countries, or, more commonly, through government, semigovernment, or producer marketing agencies or boards, with statutory powers. Canada, Australia, New Zealand, and British West Africa have marketing boards for most important agricultural products, as do Argentina, Brazil, the Netherlands, and Sweden. Similar agencies exist elsewhere.

Direct subsidization of acreage or output is sparingly used, except in the United Kingdom, where it is the principal form of price support. But subsidies on fertilizers and other farm requisites are common in Western Europe, and governments in most parts of the world are subsidizing land reclamation, irrigation and drainage, and various agricultural improvements.

Direct regulation of production is practiced in a number of countries, often for tobacco and sometimes for a few other commodities. In Egypt, not more than one-third of the cultivated land may be planted to cotton, and not less than one-third planted to wheat. Cuba, in several recent years, has restricted the harvesting of sugarcane. Marketing controls may also be used to regulate production. Sugar beets in many countries are grown under contract with factories, which themselves are government-controlled or subject to government regulation.

Indirect Aids

Agriculture in most countries benefits from a variety of indirect government aids that aim at improving farm income through greater efficiency of production, transportation, and distribution. Assistance for making farm credit more generally available, at reasonable rates, and tax concessions for agricultural improvements are among such measures. Many governments are promoting such agricultural improvements as land reclamation and resettlement, regional development projects, and consolidation of scattered land holdings.

One of the far-reaching contributions of governments and farm organizations is that of assisting general and vocational education and agricultural extension work. These efforts have been intensified in most countries in the past decade. Extension services range from modest beginnings in the underdeveloped areas to comprehensive and effective organizations in some of the more advanced areas. Agricultural research is supported almost everywhere, and accomplishments have been outstanding in many countries. Rarely is it so much a question of developing research or obtaining research results as of applying the accomplishments of science to the daily routine on farms. Great gaps exist between the economic results of advanced farms and those of backward farms in the same country. In all countries there are still great reserves of output which can be mobilized if the low-efficiency farms can rise to a level approaching that of well-run farms in the same area.

CANADA

Canada is reappraising the role of government in relation to production, marketing, and imports of farm products. Current trends indicate that agriculture will retain an important place in the domestic economy and in foreign trade. Its output in 1955 was 50 percent above prewar and in 1956, 65 percent. Average annual farm income is more than $2.5 billion. This is about one-twelfth of the gross national income.

Dependence on Trade in Farm Products

Canadian agricultural exports vary from $800 million to $1,200 million annually. This is approximately one-fourth of domestic Canadian exports. Earnings from these and other exports enable Canada to develop its natural resources, expand its manufacturing capacity, import raw materials for its expanding factories, and import complementary foodstuffs necessary to maintain the Canadian standard of living.

The United States or the United Kingdom is always Canada's most important customer for agricultural products. Canada is the fourth largest customer for United States farm products, ranking closely after the United Kingdom, Japan, and West Germany. In 1956, United States agricultural imports from Canada amounted to $176 million, and in 1956, United States exports of agricultural products to Canada totaled $341 million. The value of all trade between the United States and Canada is greater than that between any two other nations in the world. In 1956 it totaled $6.8 billion. United States exports to Canada were $3.9 billion; United States imports from Canada, $2.9 billion.

Policy Goals

Within the last 25 years Canada has used many types of measures to assist agriculture, including special railway freight rate arrangements, price supports, and drought relief payments.

Nevertheless, Canadian agricultural production is essentially a free-enterprise operation. Nearly all cultivated land is privately owned. Assistance to producers, when deemed necessary, has been rendered with a view to maintaining the maximum freedom of choice on the part of farm operators as to how they will utilize their land.

Producers are encouraged and assisted in developing production of quality products suitable for domestic and foreign markets. They are assisted in irrigation, reclamation, and land improvement. They have no parity price legislation, but the government is increasingly taking costs of production and living standards into account in the assistance given agricultural producers.

Regulation of Foreign Trade

Customs duties.--Provision for several types of import duties and flexible customs administration is contained in the Customs Tariff and the Customs Act. Duty rates are imposed at three levels. For countries in the British Commonwealth of Nations, free entry applies, or import duties are relatively low. Foreign countries given most-favored-nation treatment pay intermediate rates of duty. Other countries come under the General Rates, which generally are the highest rates levied.

Canada and the United States beginning with 1935 have negotiated reductions in their tariff rates on most agricultural products important in across-the-border trade. Concessions made by Canada on products important to United States producers have been given only in return for compensating concessions by the United States.

The Canadian tariff system provides for higher duties when perishable Canadian crops are in season than during the remainder of the year. These higher seasonal rates and the maximum period for which they are applicable are specified in the Canadian schedule of tariff rates, and are bound in GATT.

Import control.--Quantitative controls over imports for balance-of-payments reasons are not exercised in Canada. However, they may be imposed (1) for administration of intergovernmental agreements, (2) for controlling imports of commodities subject to price support, (3) for controlling imports subject to governmental trading monopolies.

Embargoes or strict quantitative controls are maintained on imports of wheat, oats, and barley and their products and on several dairy products. Under the Export and Import Permits Act the Minister of Trade and Commerce on May 28, 1957, prohibited until June 1, 1958, the importation of Cheddar cheese, except that imported for personal use of the importer and his household, and not exceeding $5.00 in value for each importation.

Export control.--Other than control over purity, disease, quality, and standards, the principal direct control over exports is exercised under the Export and Import Permits Act for purposes of national security. Articles in short supply if needed for defense purposes may not be exported without an export permit when listed in the Export Control List promulgated by the Governor General in Council. On the list effective January 1, 1957, permits are required for exports of butter and pancreas glands of cattle, calves, and swine to all destinations, including the United States.

Export price control.--Operations of special commodity boards have increasingly affected prices and competition in the foreign market. Such boards include the Canadian Wheat Board, the Agricultural Prices Support Board, the Agricultural Products Board, and commodity boards operating within the Provinces and in inter-Provincial or international trade.

Commodities whose competitive price positions are under board control include wheat, oats, barley, cheese, butter, dried milk, and eggs. Controls sometimes affect the price of meat and meat products, apples, soft fruits, and potatoes, dried beans, and various other vegetables.

Generally, low guaranteed prices are announced for those commodities which the respective boards offer to purchase. Any commodities purchased may be disposed of domestically or abroad at the best price offerings. When losses are incurred by Federal Boards, and sometimes by Provincial boards, they are reimbursed by monies from the Federal Treasury. Under special arrangements the Federal Government and a Province may share the burden. Losses were incurred before the war on grains, during the foot-and-mouth disease epidemic on meats, and after the war on cheese, butter, dried milk and eggs, and other products.

During the last 3 years adjustments have been made to make Canadian wheat and flour competitive in the world market. The board has dropped the prices of specific grades of wheat in order to sell to certain countries or to dispose of certain types or quantities.

A significant price change during the 1955-56 marketing year was the reduction in the sale prices of the lower grades of wheat. The board dropped the prices, between early August and mid-November 1955, by 27 to 29 cents per bushel at the lakehead for grades 5 and 6, respectively. During the same period the price quotation for Manitoba 1 Northern was dropped only 6 cents per bushel. These prices for the low grades became attractive to the Iron Curtain countries, which, during the winter months, purchased all available supplies. In the late spring the Wheat Board's quotations for the lower grades were increased about 16 cents per bushel.

Effective March 1, 1957, the Wheat Board began the payment of subsidies on the export of Canadian flour milled for export to selected areas. The purpose of the subsidy was to make Canadian flour more competitive with United States flour, particularly in the

British West Indies, South America, and the Republic of the Philippines. Canadian wheat, because of adverse weather in the growing and harvesting season of 1956, produced a flour of lower protein content than that produced in the United States.

Quality controls. --Establishment and enforcement of grades and standards for agricultural products are traditional in Canada. The colonies made regulations governing quality of the important exports of that day, including flour, salted beef, salted and pickled pork, and butter. The Provinces still exercise control over the quality of many products.

Codes have been established by the Federal Government which prescribe specific standards, the machinery for inspection, and enforcement penalties for products moving inter-Provincially or internationally. The rigorous codes for grains, seeds, meats, dairy products, and fruits have aided greatly in the development of overseas markets for these products.

To encourage production of quality products that particularly suit foreign demand, subsidies are paid by the Federal Government on grades A and B1 bacon-type hogs and on Cheddar cheese scoring 93 or above. During the 11-year period 1945-55, the bacon quality premiums amounted to $63 million and the cheese quality premiums together with factory improvement cost $11.6 million.

Both imports and exports are covered by pure food and drug regulations, animal and plant quarantine, and container control. Rarely are these controls used except for protecting the quality of goods for the general welfare of consumers. However, the size and type of fruit containers have been regulated on occasion for the convenience of the domestic trade if not for its protection.

Export freight subsidy. --The grain farmers of western Canada receive a substantial export subsidy in the form of favorable railroad rates for export grain. This results from the Crow's Nest Pass Agreement, entered into in 1897 between the Canadian Pacific Railway and the Canadian Government, whereby the railway obtained certain benefits for constructing a line from Lethbridge, Alberta, to Nelson, British Columbia. In return the CPR agreed to maintain certain freight rates for grain produced in the Prairie Provinces. These rates are still in existence even though the railway has on several occasions endeavored to get them changed.

Internal Market and Price Regulation

Grains. --The Canadian Wheat Board under the Wheat Board Act of 1935, as amended, is responsible for the orderly marketing of Canadian-grown wheat. It has complete control over transactions and shipments of wheat from delivery to the local elevator until the time it is sold to the domestic processor or until it is delivered for export at the port of shipment. The board can transfer, sell, ship, or otherwise dispose of wheat. It controls the import and export of wheat, as well as the domestic movement.

With respect to quantitative regulation of deliveries, the Act provides that the board may regulate or prohibit the delivery, sale, disposition, or milling of the grain, or fix the maximum amount that any person may deliver, sell, mill, or otherwise dispose of in any period of time during the season.

The Wheat Board Act does not specify the price level at which wheat is to be purchased or sold. With respect to purchases, it authorizes the board to pay producers such a guaranteed minimum price per bushel at the beginning of the season as may have been established by the board for grain of a specified crop. In the last several years this has always been considerably less than the ultimate average sale price that was obtained.

The law also provides that producers may receive interim or adjustment payments during the marketing season representing the difference between the initial guaranteed minimum and any higher guaranteed minimum that may have been established later.

After all of the grain purchased by the board in a specified season has been disposed of, or transferred to the pool for the subsequent season, growers share in any profits that may remain in the hands of the board from that season's operations.

For the 1957 crop, the Wheat Board will pay Canadian producers an initial price as follows:

	Price per bushel	*Basis*
Wheat---	$1.40	#1 Manitoba Northern
Barley--	.96	#3 Western Six Row
Oats----	.60	#2 Canadian Western

These prices are for wheat delivered at Fort William or Port Arthur, Ontario, and Vancouver, British Columbia, and for oats and barley delivered at Fort William or Port Arthur.

Payment of Wheat Board grain storage costs previously deducted from the final payment made to farmers is now borne partially by the Federal Government. This program, announced in December 1955, became applicable to grain held by the board from the 1954 crop, as well as for subsequent crops. The final settlement for the 1954 crop showed that the storage costs borne by the government had amounted to 7 cents per bushel.

On February 8, 1957, the Canadian House of Commons passed unanimously a bill extending the authority of the Wheat Board until July 31, 1962.

The Wheat Board also regulates marketings and exercises various marketing functions for other grains. However, this authority is not identical with that over wheat. Only by order of the Governor in Council can the board handle grains other than wheat.

Since August 1, 1949, the board has had much authority over marketing of oats and barley. It controls imports. It sets and announces the initial price to be paid the producer. It purchases all oats and barley produced for sale in Western Ontario, Manitoba, Saskatchewan, Alberta, and the Peace River area in British Columbia.

For rye and flaxseed, it has power to establish each farmer's marketing quota, as it has for wheat, oats, and barley. It has no other authority over rye and flaxseed.

Other commodities.--Assistance in varying degrees is rendered producers under the Agricultural Prices Support Act of 1944, the Cooperative Marketing Act of 1939, and the Provincial marketing board programs. All Provinces have, or are discussing, Provincial price support and marketing schemes. They have milk marketing schemes similar to the milkshed agreements in the United States. New Brunswick and Nova Scotia have tried price support schemes for potatoes. British Columbia has producer boards for marketing fruits and vegetables. In Ontario organized and mandatory marketing through commodity boards has made rapid progress.

The Ontario Marketing Act, as reinforced by Federal legislation, authorizes producers to organize price support and marketing schemes. These extend at present to more than 20 commodities, including dairy products, hogs, fruits, and vegetables. Most of the Ontario schemes contain licensing, grading, and price-setting provisions. The schemes for cheese, fresh vegetables, and some other products are operated in such a manner as to encourage exports. For example, 2 cents for each pound of cheese sold was for some time placed in a reserve fund that was used to subsidize exports primarily to the United Kingdom. In the Ontario Fresh Peach Growers Marketing Scheme and the major Fresh Vegetable Growers Marketing Schemes, the boards which fix the price can reject any grade and set the price at any level for any grade.

Produce that cannot be sold one day at a fixed price may be placed in the association's warehouses, destroyed, or placed on the market at some later time. All producers are declared to be licensed, and submit in certain schemes to a 10-percent set-aside on all produce sold in order to cover the losses involved in disposing of the surplus products.

There are no direct Federal Government subsidies on acreage or general production, and no direct production control regulations. However, the payments on quality produce, feed grain freight subsidies, freight reductions on grain for export, price support operations, and special appropriations amounted to a total of approximately $1 billion for the decade 1946-55.

Indirect Aids

Farm credit.--Federal agricultural credit is of three types: long-term mortgage credit, provided by the Canadian Farm Loan Board, established in 1929; intermediate and short-term credit granted under the Farm Improvement Loans Act, operative since 1945; and assistance to farmers with special types of problems.

Long-term land mortgage loans may be obtained for periods of 10 to 25 years. The board charges 5 percent interest on first mortgage loans and 5-1/2 percent on second mortgages.

The intermediate loans are granted for construction, repair, or alteration of buildings, purchase of livestock, installation of electric equipment, and fencing. About 85 percent of those obtained in 1955 were for purchase of farm machinery, for which payment may be made over a 10-year period. Other loans are for periods up to 3 years. No farmer can have outstanding loans under this program for more than $5,000 at one time. Special financing is provided for purchase and equipment of farms by war veterans.

To assist farmers holding unsold wheat, oats, barley, or rye on their farms the Federal Government since 1955 has guaranteed their bank loans obtained between harvest and the following June. The current limit on the amount which may be borrowed is $3,000 and the interest rate is 5 percent.

The Provinces also have credit programs. The Quebec Farm Credit Board, established in 1936, grants personal mortgage loans which take into account the character of the applicant, farm experience, and other factors. Loans may be granted up to $6,000, payable within 39-1/2 years. They bear an interest rate of 2-1/2 percent.

Ontario has somewhat similar legislation. Loans are made to young persons who have displayed ability and capacity to operate a farm. These loans bear interest at 4 percent when repayable in 20 years, and at 4-1/2 percent interest if made for a period of 20 to 25 years.

Agricultural producers are subject to property and income taxes comparable with those affecting producers in other industries.

Insurance.--The Prairie Farm Assistance Act of 1939 provides insurance of a special nature for prairie grain farmers, in case of near or actual crop failure. Assistance is also given under this Act when grain prices are extremely low. Payments are made from a fund replenished by a 1-cent-per-bushel levy on all grain sold off farms in the Prairie Provinces, and from supplementary appropriations by the Federal Government. The payments amounted to $5 million for the 1955-56 crop year, when yields were high, compared with $33 million in 1954-55, when yields were reduced by rust damage. Extension of the prairie-farm-assistance principle to cover agriculture in all parts of the country is being seriously discussed.

Education and extension services.--Canada's extension services are generally of a type and quality comparable with those available in the United States. The Federal Government has an extensive system of experimental and demonstration farms located throughout the agricultural areas of the country. Cooperation between Federal and Provincial Governments occur in special programs but, on the whole, extension work is in the hands of the Provinces.

Land improvement. --Canadian agricultural programs lay considerable stress on land improvement. Lime application to land in the eastern half of the country and to some extent in British Columbia is subsidized. The Maritime marshland, which was improved many years ago, is being rehabilitated to make it productive farmland. In the Prairie Provinces there is improvement of land on the basis of individual farms and major conservation projects.

Irrigation, including individual and large-scale projects, has been financed by private enterprise and by joint Federal-Provincial cooperation. Facilities already constructed can irrigate approximately 1 million acres. Consideration is being given to other irrigation programs in British Columbia, Alberta, Saskatchewan, and Manitoba.

Foreign assistance to agriculture. --Canadian agriculture has benefited indirectly from the United States foreign aid given third countries, but no direct monetary aid is rendered Canada by the United States or other countries. As a result of United States foreign aid programs, foreign countries in the past have been better able to purchase such Canadian agricultural products as grain, oilseeds, and fruit.

WESTERN EUROPE[1]

Western Europe, embracing 17 countries and a population of nearly 300 million, is a densely populated, highly industrialized region. Its generally high living standards are largely based on the export of manufactures to other regions in exchange for food and raw materials. Agriculture has been intensively developed, but produces little more than three-fourths of the calorie value of the region's food supply and only a small part of the farm-grown raw materials required by industry.

Western Europe is therefore the great outlet for world agricultural exports. In 1956, it imported some $12 billion worth of farm products from the rest of the world. Of this total, the United States supplied about $2 billion, or more than any other single country. Shipments to Western Europe account for nearly half of United States agricultural exports, the United Kingdom alone taking 10.1 percent in 1956, Germany[2] 8.8 percent, and the Netherlands 6.6 percent. These 3 countries are among the first 5 foreign country outlets for American agriculture.

Nearly all West European countries pursue a policy protective of agriculture while striving to promote increases in agricultural productivity. All aim at improving the standard of living and welfare of the farm population. Many want agriculture to produce more and to help the balance of payments. National security considerations, the desire for political and social stability, the existence of widespread underemployment on the numerous small farms, and pressure from farm interests also contribute to giving agricultural protection in West European countries its "hard core" character.

Steps have been taken, jointly as well as severally, to reduce barriers to the flow of trade across national frontiers. Thirteen West European countries adhere to the General Agreement on Tariffs and Trade (GATT). Sixteen belong to the Organization for European Economic Cooperation (OEEC), and participate in its trade liberalization program, which is a program to eliminate quantitative restrictions against imports from OEEC countries. The same 16 belong to the European Payments Union (EPU), set up by OEEC so as to permit clearing of balances among OEEC countries and associated currency areas. Seven EPU members have clubbed together in a multilateral clearing arrangement with Brazil (the "Hague Club"), and 10 in a similar arrangement with Argentina (the "Paris Club"). More may join. Quantitative restrictions on imports from the dollar area have also been relaxed.

Moves toward economic integration have also been made. The most far reaching is the agreement to form a common market, or economic union, to be known as the European Economic Community (EEC). The common market treaty was signed in March 1957 and is in course of ratification by the six signatory, or "Messina," countries: Germany, France, Italy, the Netherlands, Belgium, and Luxembourg. In the active discussion stage is a plan to link the common market countries with the United Kingdom and other West European countries in a "free trade area;" all tariffs and trade restrictions within this area would be abolished on a wide range of commodities, but each of the countries or groups of countries forming the area would retain its own trade barriers against the outside world. This differs from the EEC, which is to have a common external tariff.

None of the measures taken thus far has involved any significant decrease in the protection afforded to the main commodities produced by domestic agriculture, which, as the following country statements show, remains well supported in most West European coun-

[1] As here used, "Western Europe" refers to Europe excluding the Communist countries.
[2] Excluding the Soviet Zone of Occupation, which throughout this report is referred to as East Germany.

tries. This situation is not likely to be materially modified by the establishment of the common market or of a free trade area. Special provisions for agriculture in the common market treaty foreshadow not a free but an organized market for most domestically produced farm products. And in its initial position, the government in the United Kingdom declared that a free trade area that it would be prepared to join would exclude food and feed (except oilseeds and oils), drink, and tobacco.

This question of the treatment to be accorded agricultural products is one of the difficult problems confronting the OEEC in its discussions of the European free trade area. The United Kingdom's proposal to exclude agricultural products--Commonwealth products which now enjoy a preferred position in the United Kingdom market--is opposed by those continental countries which are important agricultural exporters and therefore desire the inclusion of such products in the free trade area arrangements. At the present time it is uncertain how this difference of views will be reconciled.

In announcing its initial position, the British Government summed up the direction of West European agricultural policies as follows: "The United Kingdom and most other European countries protect their home agriculture by one means or another for well-known reasons, and will wish to continue to do so. The United Kingdom would not in the foreseeable future be prepared to remove protection in this field and to admit the free entry of foodstuffs as is intended for other products; nor would Her Majesty's Government expect other countries to take such action. Indeed it appears to be the intention of the Messina Powers to institute a regulated market for agricultural produce, rather than a free market as is proposed for industrial products."

West Europe's agriculture, like its industry, made a strong recovery from the low levels prevailing at the end of the war, and by 1955 production stood high above the prewar average (by about 25 percent for agriculture and 70 percent for industry). This recovery and expansion was greatly assisted by large-scale American economic aid, which from July 1, 1945 to December 31, 1956, included about $17 billion in grants and $8.5 billion in loans. Direct allocations of aid for agricultural development have been small except in some Mediterranean countries, though technical assistance extended by the United States through OEEC has materially helped modernization of agriculture in most countries. But the stimulus provided by the countries' own economic policies, supported by American aid especially in the earlier years when most of it was received, was felt in all sectors of the economy. Without such aid, Western Europe today would be less prosperous and more self-sufficient than it is and, consequently, more dependent on its own agricultural resources and less on foreign trade.

THE UNITED KINGDOM

Dependence on Trade in Farm Products

The United Kingdom is the world's largest importer of agricultural products. It depends on imports for nearly two-thirds of the calorie value, or about one-half of the money value, of its food supply and for all of its tobacco and cotton supplies and most of its supply of other raw materials of agricultural origin. Agricultural products accounted for half the value of British imports in 1956. The United States supplied 9 percent of agricultural imports, or more than any other country except Australia and New Zealand. The British Commonwealth as a whole supplied 57 percent.

British exports consist chiefly of manufactures, and in 1956 amounted to 82 percent of the value of imports, a high proportion for Britain. Covering the trade deficit has frequently entailed heavy losses of gold and dollars from the country's limited reserves. Another balance-of-payments crisis which threatened last fall was staved off by a large drawing on the International Monetary Fund and an additional standby arrangement with the Fund, as well as by a line of credit from the United States Export-Import Bank. At the end of 1956, gold and dollar reserves totaled $3.0 billion, compared with $2.9 billion a year earlier and $3.4 billion at the end of 1954.

Policy Goals

British agricultural and trade policy aims at supporting domestic agriculture first and Commonwealth agriculture second. Until recently, the main emphasis at home was on expanding output from domestic resources to 60 percent above prewar, a goal almost achieved last season, according to official estimates. Since 1954, however, the emphasis has shifted to producing the most that can be produced efficiently and economically, with maximum relief to the balance of payment, and consistent with a proper income for agriculture and an adequate return on the capital invested in it. Such a policy, in the government's view, calls for maintaining arable acreage at about the present size, but stressing feed crops more; reducing dependence on imported feeds; and producing more beef and lamb, but no more pork or wheat, and less milk and eggs.

Regulation of Foreign Trade

Tariffs.--Britain imposes tariffs protective of Commonwealth and Irish as well as domestic agriculture, since Commonwealth and Irish products enter the United Kingdom duty free or at a preferential rate.

The usual protective rate on farm products is 10 percent. Some rates are higher--for example, sugar rates and rates on various horticultural products, which, potatoes excepted, receive no price guarantees. On the other hand, a few farm products, including wheat, corn (except flat white corn), mutton, lamb, ham, lard, hides, and skins, have long been admitted duty free. This group also included bacon until October 1956, when a 10-percent duty was imposed simultaneously with the abolition of state trading in bacon. Textile raw materials, such as cotton, wool, jute, flax, and hemp, have been traditionally duty free.

Quantitative controls.--Licensing arrangements, handled by the Board of Trade, have been relaxed for many agricultural products, including a number from the dollar area. Among the latter, grains, oilseeds and oils, oilseed cake and meal, animal fats except butter, dried peas, beans, and lentils, and some other agricultural items were put under Open General License on August 1, 1957. Most of these dollar products had previously been under Open Individual License; that is, they could be imported freely but subject to individual importer licensing and recording; cotton continues under Open Individual License. At the same time, dollar fruit, vegetables, meats, dairy products, and eggs are still rigidly controlled, though these same products, with certain exceptions (notably apples and pears), can be freely imported not only from nondollar Commonwealth countries but also from West European and various other nondollar countries. With the return of the sugar trade to private hands on January 1, 1957, all state trading in farm products ceased.

Bilateral agreements and clearing or other unions.--Balance-of-payments reasons are the justification given for discrimination against the dollar area through license and exchange controls. Exchange control regulations do not apply to transactions with other sterling area countries. Their restrictive effect on trade with the rest of the nondollar world has been minimized since 1954 when the area in which sterling can be transferred without formality was widened to include all nondollar countries. The United Kingdom had already brought the sterling area with it into the EPU. Later, it helped form the "Hague" and "Paris Clubs." It is also a member of GATT.

Comparatively few British trade agreements are of the type that set up import quotas for lists of goods. However, under a long-term agreement with Southern Rhodesia, Britain undertakes to buy a certain amount of the Rhodesian tobacco crop (80 million pounds a year for the period 1956-58). Under a long-term agreement with Commonwealth sugar exporters, Britain guarantees them a market for about 1.8 million short tons (raw value) at fixed and annually negotiated prices. Under a long-term agreement with Ireland, Britain guarantees the price of Irish fatstock in the British market. And under long-term agreements with Australia, Britain also guarantees the price of Australian beef, mutton, lamb, and, until 1955, dried fruit in the British market; these guarantees cost the British Exchequer the equivalent of some $8 million in the year ending March 31, 1957, representing the difference between the guaranteed prices and the market prices in Britain.

Export aids or deterrents.--British exports of agricultural products are small, and it is the stated intention of the government not to subsidize production for export. This statement was made following the development of exports of producer-subsidized fat cattle and especially eggs to continental Europe. According to official estimates, producer subsidies on the 44.46 million eggs exported in the 4 months January-April 1957 exceeded the export value of the eggs. Fat cattle and eggs had been freed from export controls but now require export licenses, as do many other farm products, notably grains (except rice), most feeds and seeds for sowing, tobacco, cotton, and wool.

Internal Market and Price Regulation

Fixed or support prices.--Under the Agriculture Act, 1947, the government guarantees outlets for and prices of products that account for about 80 percent of the value of farm output: Fat cattle, sheep, lambs, hogs, milk, eggs, wool, wheat, rye, barley, oats (including mixed grain), potatoes, and sugar beets. Guaranteed prices are fixed annually, after a review of the economic conditions and prospects of agriculture, in consultation with the Farmers' Unions, and considering changes in farm costs, the balance of payments, the subsidy burden, and other relevant factors. Under separate arrangements, the price of flax in Northern Ireland may also be guaranteed.

Until 1956, price guarantees for crops were fixed for the harvest of the following year, while livestock producers had guarantees for 12 months ahead plus minimum guarantees for 2 to 4 years ahead. Changes introduced in 1957 include price guarantees for crops harvested in the year the guarantee is fixed, and minimum guarantees for both crops and livestock for the next 5 years. Producers are now assured that the total value of the guarantees, after adjustment for changes in farm costs, will not be reduced by more than 2.5 percent a year; that guarantees for individual products will not be reduced by more than 4 percent a year; and that guarantees for livestock products will not be reduced by more than 9 percent in any 3-year period.

Most price guarantees are guaranteed average prices for the quantity sold on the market (millable wheat and rye and fatstock) or through producer marketing boards (milk and, as of July 1957, hen and duck eggs). Guaranteed average prices for milk include a higher one for a fixed quantity, determined on the basis of fluid consumption in 1953-54, and a lower one for any surplus, the effective guaranteed price being a blend of the two, subject to a profit and loss sharing arrangement on the lower price milk; maximum retail prices of fluid milk are government-fixed. For barley, oats, and mixed grain, the guarantee is on acreage grown. Wool producers get fixed prices for wool sold to the British Wool Marketing Board, and sugar beet producers, fixed prices for beets grown under contract with the British Sugar Corporation, a government agency. Minimum prices, guaranteed for eggs until July 1957, are still guaranteed for standard potatoes sold to the Potato Marketing Board in Great Britain and to the Ministry of Agriculture in Northern Ireland; the guarantee is fixed at a level designed to attract offers to these organizations only in years of large crops.

The only farm product with prices fixed independently of government support is hops. Their price is fixed by agreement between the Hops Marketing Board and the Brewers' Society, in accordance with production costs.

Market regulation.--Since 1954, when the government turned the trade over to private hands, the markets for grain and fatstock have been free, though the milling industry is pledged to use a minimum amount of home-grown wheat (about 47 million bushels out of each of the crops of 1954, 1955, and 1956), and the feedstuffs processors have undertaken to use home-grown barley in preference to imported barley as far as practicable. The British Sugar Corporation has a monopoly of the sugar beet market. Markets for other price guarantee products are also subject to monopoly control by producer marketing boards, which have statutory powers to regulate marketing, and to which the government makes the price guarantees.

There are five milk marketing boards to cover the United Kingdom. Producers in England and Wales and in Northern Ireland must sell to the boards; in Scotland, the boards are parties to the sales contracts, but usually buy themselves only some milk for manufacture. The territory of the British Wool Marketing Board and the new British Egg Marketing Board covers the United Kingdom. Wool producers must sell to the Wool Board, and, with certain exceptions, hen and duck egg producers having more than 50 birds must sell through the Egg Board to get the guaranteed price. The Potato Marketing Board, which covers Great Britain only, buys and sells to implement price guarantees, and performs various other regulatory functions.

Among the other marketing boards, the Hops Marketing Board (England only) exercises strict control over all hops marketed. The regulatory powers of the Tomato and Cucumber Marketing Board (Great Britain only) and the Pig Marketing Board (Northern Ireland only) are limited.

Direct subsidies.--In 1954 the government adopted a system of deficiency or subsidy payments to meet most price guarantees. It pays the deficit, if any, between guaranteed prices and the average realized price for grains, and a calculated market price for fatstock. It pays the Milk Boards the deficit between their net commercial returns and the effective guarantee, and the Egg Board a flat-rate subsidy; this subsidy equals the difference between the guaranteed price and an estimated average wholesale price for the season, but is subject to later adjustment if the realized price differs from the estimated price by more than the equivalent of 2.3 cents per dozen. The government also pays most of the cost of potato support price operations. The cost of guaranteeing sugar beet and wool prices is paid by consumers, without expense to the Exchequer, though funds may be loaned to the Wool Board.

In addition to price guarantee subsidies, the government makes production grants for fertilizer, lime, field drainage and water supplies, silos, plowing up grassland that has not been plowed for 3 years or more, improving stock breeding, eradication of cattle tuberculosis, beef calves, hill cattle (the hill sheep subsidy was dropped in 1957), and marginal production assistance schemes. It also makes special grants for agriculture in Northern Ireland and some of the Scottish Islands. In the fall of 1957 it starts an additional program of grants for promoting the modernization of permanent fixed equipment on farms and long-term improvements to land.

In all, price guarantee subsidies and production grants cost the Exchequer the equivalent of $686 million in the year ending March 31, 1957. This cost was much larger than originally anticipated, chiefly owing to the marked increase in egg output. Increases in milk and potato production were also unexpectedly large, and the cost of potato support rose. However, the cost of subsidizing milk fell, for the government twice increased the retail price of fluid milk and thus narrowed the margin between the guarantee price and the blended price received by the boards, in spite of the fact that total milk sales exceeded the Standard Quantity by about 10 percent.

Production regulation.--Only sugar beets, hops, and potatoes are subject to production controls, though the increase in milk production has caused some producers to advocate schemes for restricting milk output. The British Sugar Corporation limits growing contracts to about 415,000 acres of sugar beets. The Hops Marketing Board regulates production through individual producer sales quotas, which are adjusted annually to fit the demand for hops. Potato acreage quotas, with penalties for overplanting, could be imposed under the Agriculture Act, 1947, or by the Potato Marketing Board, but this has not been done since 1939.

Indirect Aids

Credit and taxes.--Credit for land purchases and improvements is available from several government-supported institutions, chief among them the Agricultural Mortgage Corporation. However, the bulk of the long-term and medium-term and all of the short-term farm credits are provided by commercial banks, merchants, and other private sources.

Certain tax concessions have been made to agriculture. It pays no local rates on farmland or nonresidential farm buildings, and these assets, including farmhouses, are among those eligible for rebates of 45 percent of the normal inheritance tax rates. There is no tax concession on gasoline. Nearly all farm tractors are driven with diesel fuel or a high-grade kerosene, both of which are tax free for all users.

Education and extension. --The United Kingdom has a well-developed system of agricultural education, research, and extension, and the government has given increasing support to its expansion and improvement. The local authorities are responsible for agricultural education up to the college level. Seven agricultural colleges give 2- or 3-year diploma courses, while 12 universities offer degree courses in agriculture. The 3 agricultural colleges in Scotland organize and control the Scottish extension service; their work is financed and coordinated by the Department of Agriculture. The Ministry of Agriculture finances and operates the extension service in England and Wales (the National Agricultural Advisory Service), and the Northern Ireland Ministry of Agriculture likewise finances and operates the extension service in that country.

Land reclamation. --Substantial aid is granted for land drainage under laws of 1930 and 1940; projects approved for farm drainage alone in the period 1940-50 have benefited nearly 6 million acres. Much work was also done during the war to reclaim bog, scrub, and other wasteland. The postwar hill farming, stock-raising land, and marginal production grants are partly designed to promote the rehabilitation of hill-farm, rough grazing, and derelict land. Reclamation of wasteland, maintaining shelterbelts, filling in ditches, removing hedges and banks, and so on also qualify for grants under the new farm improvement grant program. This program is for farms that are economic units or could be made so with the improvements proposed. Prospects of these grants, it is hoped, will encourage the amalgamation of uneconomically small farms. The government will help pay certain incidental costs of such amalgamations.

GERMANY[3]

Dependence on Trade in Farm Products

Despite the important role that German agriculture plays as a contributor to the national income, Germany depends heavily on the importation of agricultural products. Of the country's total import trade of around $6.5 billion in 1956, fully 45 percent was products of agricultural origin.

The United States is an important supplier and delivers about 10 percent of Germany's total takings of agricultural products. Germany is one of its most genuine commercial markets--a market whose imports are largely determined by ordinary commercial considerations of price, quality, and commercial convenience. Yet policy factors remain of great importance. Germany, over the past years, has consistently occupied third or fourth place in the United States agricultural export trade, taking from $200 million to $300 million worth of American farm products. The United States' most important agricultural exports to Germany are raw cotton, wheat, lard and other fats and oils and oilseeds, as well as tobacco.

Compared with United States agricultural exports to Germany United States imports from Germany of agricultural products are negligible. They consist mainly of specialties, such as canned meat, beer, wine, and hops.

Policy Goals

On September 5, 1955, the German Parliament promulgated a Basic Law for Agriculture which postulates parity income with other economic groups as a goal to be gradually approached as productivity rises.

[3] See footnote 2.

As in most other countries the most important policy goal of agricultural management in Germany is to increase and maintain the income derived from agricultural pursuits. That broad goal is to be achieved through two categories of measures: (1) Those that create reasonably good price relationships on the basis of present production, and (2) those that improve, through technical rationalization, existing production functions in order that output per unit of input may increase and in turn improve price-cost relationships. Naturally, there are also some measures that directly provide income support and relief for farmers whose market share is so small that their farming approaches the subsistence type.

German agricultural policy also contains an important element of commercial policy. Thus, the quantitative regulation of imports of certain products through monopoly-like control by central import agencies is exercised in part for commercial policy ends, to some extent directing Germany's purchases to countries that in turn are, or promise to be, markets for German exports.

Regulation of Foreign Trade

Tariffs.--Germany is a member of GATT and does not maintain a system of preferential tariff rates. Only a few tariffs on agricultural products like coffee, tea, tobacco are of the revenue type. There exists, in addition, an excise tax on these products (also beer, champagne, sugar, alcohol). Most agricultural raw materials as well as oilseeds are admitted duty free. Tariffs on many of the agricultural products produced in Germany are fairly high.

Quantitative controls.--The German economic situation has improved remarkably since the currency reform in 1948, and Germany has accumulated very substantial gold and dollar balances as well as other foreign exchange holdings and claims in the European Payments Union. Hence, the remaining quantitative controls on imports of agricultural products are controls for the purpose of agricultural protection and market regulation and cannot be justified by balance of payments considerations.

A special feature of the German market and import regulation is the existence of four import and stocking agencies--one each for cereals and feedstuffs, for sugar (import agency only), for fats (which may also handle milk and milk products), and for livestock and meat.

The main purpose of these import and stocking agencies is to regulate and stabilize the markets of the products indicated. This regulation includes import controls--not to permit the importation of quantities that would impair the chances of a complete disposal of the marketable domestic supply of the products concerned at desired producer prices. It also includes equalization of import and domestic prices--raising or lowering the former to the level desired for the corresponding domestic produce.

The products most important from the United States point of view that are under the control of such import and stocking agencies are wheat, corn and sorghum grain, lard, refined edible oils, butter, and meat and meat products. The agencies can direct German purchases toward any country which they wish to favor, or where conditions are most favorable for a purchase.

The products liberalized for import from the dollar area are raw cotton, tobacco, oilseeds, vegetable and animal fats for technical use, canned grapefruit, dried fruits, (except raisins) and nuts, tomato juice and powder, eggs without shell, and egg yolks. These products can, therefore, be imported without quantitative restriction or discrimination of any kind. Quantitative restrictions have also been removed from a few other products of minor actual or potential interest to American agriculture, such as canned olives, fruit preparations in barrels without sugar or alcohol, poultry fat, and poultry liver.

On the other hand, such dollar products as edible vegetable oils, citrus fruit other than canned grapefruit, raisins, and fresh apples and pears still remain under license or exchange control.

Since most agricultural products other than those controlled by the import and stocking agencies have been freed from quantitative restrictions if imported from another member country of the Organization for European Economic Cooperation, the discrimination against imports from the dollar area is obvious.

Bilateral agreements and clearing unions. --Germany has bilateral trade agreements with many other countries both in Europe and outside Europe. They are to facilitate trade between Germany and the country concerned. These agreements have decreased in importance as Germany's economic strength has increased over recent years and as both agricultural and industrial commodities have been liberalized on a large scale. And they will no doubt largely disappear when general convertibility of currencies is achieved. However, the strictly bilateral trading character of agreements between Germany and countries outside the EPU including some dollar area countries persists. Germany is a member of the "Hague" and "Paris Clubs."

Export aids. --The last relics of the export aids, under a so-called soft commodities regulation (Weichwarenregelung), had nearly all disappeared by January 1957. The step-by-step abolition of this system finally left in effect only the "milk to the Army for honey" regulation. The dollars earned from sales of high-quality milk to the United States Army (by the "MOHA" dairy in Frankfurt) were sold at a premium to importers for honey purchased in the dollar area. Through this system the milk "exports" were subsidized at the expense of the consumer who paid a higher price for the honey. However, on June 30, 1957, with the abolition of this one remaining regulation this program was officially closed. The system was once widely applied in a similar manner for a series of commodities.

Internal Market and Price Regulations

Fixed or support prices. --Since its currency reform in 1948, Germany has to a large extent restored a market economy. Yet, while direct regimentation of production and consumption has been abolished, agriculture continues to be protected in significant degree. For example, producer prices are fixed for grains, sugar beets, rapeseed, and those forage seeds whose multiplication is subsidized; producers receive subsidies for flax, hemp, high-quality seeds, and recently for eggs also and, under the 1957 "Green Plan," for milk.

Market regulation. --Market regulation is mainly performed by the four import and stocking agencies. They have regulatory functions on a large scale for cereals and feedingstuffs, sugar, butter, fats and oils, and livestock and meat. Their main task is, by import control, storage operations, and otherwise, to maintain prices for domestic producers at the desired level, though, according to the law, they must also maintain a stable market for the consumer. The costs of this program are borne by the Federal Treasury. In the case of grains and sugar the Treasury also disburses the subsidies on imports if products are sold on the domestic market at prices below the import price. On the other hand, if the selling price is higher--in recent years the normal case--the difference between the import price and the selling price, called equalization fee, is paid into the Treasury. These equalization fees are in addition to, or in place of, the regular import tariffs. They are variable and depend upon the varying price situation for imports in relation to the price level desired for the domestic producer.

There is no market regulation for fruits and vegetables other than a so-called import calendar, which may exclude imports altogether for periods of flush domestic production, or an agreement with neighboring countries to the effect that their exports to Germany cannot be priced below a stipulated minimum. Nor is there a special market regulation for eggs, though the import and stocking agency for milk may arrange for stockpiling operations. There is no direct price regulation for meat; again, the internal price level is managed by controls over imports and by storage operations.

Since producer prices for rye, wheat, and coarse grains are fixed and thus act as support prices, there are no direct subsidies for these crops. The sugar beet price is fixed annually by decree, and distributors' margins for sugar are restricted and the retail prices are controlled.

For milk the 1957 Green Plan (Agricultural Aid Act) provides a supplemental payment of DM 0.04 per liter to milk producers whose herds and dairying facilities meet certain quality standards. Since approximately 90 percent of the milk produced meets these conditions, the premium payment may be considered a general milk production subsidy. In addition, individual dairies have been given exclusive marketing privileges in prescribed milksheds. As an offset to this somewhat monopolistic position of the milk processing industry, the retail price for ordinary fluid milk is fixed in order to protect consumers. Butter prices are free but are influenced by import and storage manipulation. The prices paid to producers of milk by the dairy establishments are so arranged that milk for fluid consumption and for processing yields about equal returns to the farmers. Transport costs over varying distances for fluid milk are also equalized. All these equalizations are effected by means of a levy on milk for fluid consumption fixed by law.

Another feature of market regulation is the compulsory admixture of domestic rape and turnip-rape oil, as well as domestic tallow, to margarine. Under the Milk and Fat Marketing Law, all commercial producers of margarine are bound by special ordinance to admix 5 percent of the monthly pure fat ingredients of margarine in the form of domestic rape and turnip-rape oil and 1 percent of the annual pure fat ingredients in the form of domestic refined tallow.

Direct subsidies.--German agriculture in the fiscal year 1956-57 was supported by a Treasury outlay in the amount of $600 million. This amount included all subsidies and credits for market regulation, productivity measures, research and extension, payments for land consolidation and reclamation, and tax remission. This was about 20 percent of the net income of agriculture.

The direct subsidies included in the above total Treasury outlay involve rebates on fertilizers; subsidies for the purchase of high-quality seed potatoes, for the improvement of orchards and other fruit plantings, for improvements in marketing, for the purchase of machinery for cooperative use, and for land consolidation and settlement; and other uses.

Production regulation.--The production of tobacco and hops is controlled by acreage regulation. For sugar the cultivated area is determined by the growers' contracts with the beet factories and these contracts in turn are determined by the quantities that factories sell on the home market. While the government at this time controls the sugar output of each factory as to its distribution only, the Ministry does have the authority to specify, if need be, how much each factory may produce.

Indirect Aids

Credit and taxes.--While the credit system is perhaps not as extensive as it used to be, it is an efficient system for making available agricultural credit on reasonable terms. Credits are being granted at from 4 to 5 percent interest for soil improvement, drainage, improvement of farm buildings and of dairy plants, investments in horticulture, purchase of farm machinery on a cooperative basis, and so forth. Since interest rates in the capital market for long-term investments are still high, government funds are being used for agricultural investments, either directly or for subsidies to reduce interest rates.

The tax reform of January 1, 1955, by which the rates of income taxation were generally reduced, also granted favorable depreciation allowances for certain specified means of production in agriculture. The inheritance tax was also reduced and a reduction of the turnover tax has been granted at the wholesale level for certain processed agricultural products. Furthermore, effective November 30, 1956, turnover taxes at the producers' level for sales of all agricultural commodities (including off-farm meat sales in the form of whole carcasses, halves, and quarters) were repealed. A recent tax increase for diesel oil is not applied to its use in agriculture. German authorities are of the opinion that these benefits for agriculture will increase agricultural investments.

Education and extension. --In recent years the system of agricultural extension work in Germany has improved considerably; a larger number of extension workers and county agents have become available. Also arrangements have been made for raising the level of education of extension workers. Furthermore, technical education facilities for the farm population itself have been improved and extended. Both the government and the farm organizations are clearly aware of the need for further improvements along these lines. A great tradition of agricultural research is carried on in many public and private institutions.

Land reclamation and consolidation of scattered holdings. --Improvement of farm structures, such as consolidation of scattered holdings, includes also implementation of land amelioration projects, such as for drainage and irrigation--including flood control and some reclamation in coastal areas--and for cultivation or afforestation of bog and wastelands. The total potential for land reclamation, however, is small.

About 40 percent of Germany's agricultural area--14 million acres-- is in need of consolidation. In recent years the pace of progress has gradually increased to around 500,000 acres a year. Requests at the present time far exceed the practical possibilities for their execution. Since land consolidation is linked with the improvement and relocation of individual farms outside of crowded villages, road construction, and enlargement of too small farms, it is an expensive process.

Certain parts of Germany, mainly the northern areas, have legislation providing that a farm can only be bequeathed to one heir as an undivided unit. That heir must indemnify joint heirs receiving no portion. In other areas the uneconomic subdivision of holdings through inheritance is being counteracted by the setting up of a special federal loan fund from which loans are made at low rates of interest to enable a principal heir to take over the farm in its entirety and to pay off the joint heirs in cash.

THE NETHERLANDS

Dependence on Trade in Farm Products

Foreign trade in agricultural products is of great importance in the Dutch economy. In 1956, 23 percent of all imports and 33 percent of all exports, by value, consisted of agricultural commodities. A considerable share of these imported farm products are transshipped or are processed and then reexported. The United States supplied nearly 30 percent of Dutch agricultural imports in 1956 and took 5 percent of the exports in that year.

The Netherlands in 1956 had a balance of payments deficit on current account of about $150 million, the first in recent years. It is attributed to a 15-percent increase in imports due to a high level of domestic consumption and investment.

Policy Goals

The broadly stated goal of Dutch farm policies is to provide a reasonable livelihood for operators of well-managed farms, despite the small size of many holdings. Since Dutch agriculture is an export industry, prices must at the same time be kept at competitive levels and production in line with existing outlet. To ensure these ends government intervention (or intervention by producer groups) is considered indispensable. Existing legislation and institutions permit extensive measures to bring about desired goals, but actual intervention has in recent years been on a limited scale. The measures applied are flexible. A new basic Agricultural Law was introduced in Parliament in 1956, but does not imply any important changes in policy goals or measures. Up until now measures of agricultural policy have had their legal basis in the Agricultural Crisis Act of 1933 and later decrees.

Consolidation of fragmented holdings is proceeding slowly and the age-old Dutch policy of land reclamation remains an important aspect of Dutch land policy.

Regulation of Foreign Trade

Tariffs.--Existing tariffs are the ones common to the three Benelux countries. Though not as low as former Dutch tariffs they are considered moderate. The existence of the Benelux Union means that no tariffs are imposed on imports from Belgium-Luxembourg. Goods originating in the Belgian Congo or in the Netherlands' overseas territories may be imported with total or partial exemption from tariffs under conditions laid down by the competent ministers on the proposal of the Customs Administrative Council. In addition to tariffs, flexible import fees can be levied on certain agricultural products for the purpose of equalizing the prices of imported products with domestic prices.

Quantitative controls.--The Netherlands has in recent years had a liberal import policy, but basically the country can still control all imports, exports, and foreign exchange transactions under three administrative decrees of 1945. Authority to limit imports is considered essential in order to safeguard the foreign exchange position, if necessary; to implement bilateral trade agreements; and to make certain agricultural policies effective.

Originally a scrutiny of each deal was required for all imports--agricultural and nonagricultural--before a license could be granted. Now licenses are granted without question for all products which are free-listed. After extensive free-listing to other OEEC countries, the Benelux countries in 1954 published a common list of commodities which were freed from quantitative restrictions for import from the dollar area. Furthermore, licenses are granted freely for many commodities not on the liberalized list. A third group of commodities are screened before a license is granted or refused. The Central Service for Import and Export is, in principle, the license-granting authority, but for many agricultural commodities the agency has delegated this power to the relevant marketing boards. An import license always carries with it an allocation of the necessary foreign exchange.

Among products of interest to United States agriculture which are on the Benelux list of commodities liberalized to the dollar area are cotton, tobacco, oilseeds, raw vegetable oils, coarse grains, many feedstuffs, canned fruits, nuts, tallow, frozen meats, and dressed poultry. Chief among agricultural items subject to licensing with possible restrictions are wheat, most fresh fruits, butter, cheese, eggs, fresh beef and pork, and lard. Dollar area products are accorded essentially the same treatment as products from the OEEC countries.

There has been no state trading in agricultural products since the fall of 1955, when importation of wheat, the last remaining of the government-traded agricultural commodities, was turned over to private trade.

Bilateral agreements and clearing unions.--The Netherlands in March 1957 had bilateral trade agreements with some 30 countries. In the effort to coordinate their trade policies the Benelux countries now enter into trade agreements with other countries jointly; the first such Benelux trade agreement was concluded with Denmark in November 1956. The majority of the existing agreements contain some quotas for agricultural commodities on the import or export side, or both. Wheat and cotton from the Soviet Union and citrus fruit from Israel are important commodities for which such goals have been set, while agreements with countries such as France and Germany contain quotas for a considerable number of Dutch agricultural export products.

Though the Benelux countries aim at complete freedom of trade within the three-country area and neither tariffs nor quotas are employed in intra-Benelux trade, a number of horticultural and livestock products are subject to the special provisions of the so-called Agricultural Protocol of 1947 (revised in 1950). This protocol provides for minimum prices for the products listed in it and is designed primarily to protect Belgian agriculture against Dutch competition. If Dutch export prices are below the stated minimum prices, fees are levied to bring them up to the minimum levels. The proceeds from such fees are shared by the two countries.

The Netherlands is a member of GATT as well as the EPU, the "Hague Club," and the "Paris Club." It is also one of the six countries which signed the common market treaty in March 1956.

Export aids or deterrents.--Agricultural exports are in principle subject to licensing and exchange control, exercised by the same agencies which issue import licenses. Export licenses are generally granted readily and without delay. As a part of the price aims of the Netherlands agricultural policies, administered by marketing boards and related funds, subsidies are from time to time granted for the export of bacon and butter.

Internal Market and Price Regulation

Fixed or support prices.--While Dutch agricultural prices are carefully watched to ensure a price level that will help keep farming remunerative without jeopardizing exports, only a few commodities of key importance are subject to direct price control. The established prices are based on cost calculations by the Agricultural Economics Research Institute.

For wheat the price to the producer is fixed and maintained with the aid of compulsory incorporation of domestic wheat in the flour milled. For barley, oats, and rye, floor prices are fixed, and variable import levies are applied to all feed grains to make these floor prices effective. There is currently a guaranteed price for these grains from regions of light soils, to be maintained by deficiency payments. The price of sugar beets is based on a price fixed annually for refined sugar. There is a minimum delivery price for seed potatoes, and if a serious drop occurs in the price of potatoes for human consumption, such potatoes can be taken off the market at a minimum price, which, however, is well below the cost price. A similar arrangement, organized by the private Central Board for Horticultural Auctions, is applied to fruits and vegetables.

The pricing program for dairy products is complex. There is a guaranteed minimum price for milk which is made effective through payment of a differential amount if the average price for a year has been below the guaranteed price. There is, furthermore, a fixed, subsidized price on milk for liquid consumption. A pooling arrangement, effected through the so-called Dairy Fund, ensures a uniform price to the milk producer regardless of the actual use of the milk. There is a minimum delivery price for dairy products based on market conditions, and unrelated to the guaranteed milk price.

Meat prices are free with the exception, in the past, of the price of bacon pigs produced for the British market. Since the discontinuation of the United Kingdom's centralized buying of bacon in the fall of 1956, this guaranteed price has, for the time being, been replaced by a subsidy.

Agricultural wages, farm rents, and land prices are controlled within the framework of the general Dutch price and wage policy.

Market regulation.--The regulatory agencies responsible for carrying out agricultural price, production, and marketing measures are a series of marketing boards, organized in the early 1930's and reshaped in 1941 and again under the Industrial Organization Act of 1950. In the latest reorganization the various producer groups were consulted on whether they did or did not desire a board to handle their marketing problems. Once a board is established, the rules and regulations are binding for all those who are engaged in activities that are covered by the board. There are marketing boards for the following major farm commodities: livestock and meat; poultry and eggs; dairy products; fats and oils; cereals, seeds and pulses; potatoes and fruits and vegetables.

Basically the responsibility of these boards remains the same as that of their forerunners: to intervene if it is deemed necessary, and in any manner it is deemed desirable, to influence production, marketing, or foreign trade, when the prices of the products under the board's control fall below or rise above desired levels. The government, however, retains authority to set fixed prices or export quotas, but may delegate this authority to the boards.

Direct subsidies.--The Netherlands does not appear to have any direct subsidies on production or on farm requisites. There is, as indicated, subsidization involved in some price policies.

Production regulation.--There is no direct regulation of production by governmental intervention in the Netherlands. Producers of horticultural crops are, however, subject to strict licensing requirements by the marketing boards for these products. Furthermore, the Marketing Board for Poultry and Eggs regulates the production of eggs for hatching, which may take place only on licensed farms, and there are also rules concerning the number of hens to be kept on farms of different sizes.

Indirect Aids

Credit and taxes.--Governmental assistance in the credit sector is provided in the form of loan guarantees. A fund of 30 million florins for this purpose was established some years ago with counterpart money derived from United States programs. On this basis the government partially guarantees loans granted through normal channels and at normal interest rates to agricultural producers. Guarantees are provided for loans for such purposes as construction of farm buildings or purchase of livestock and tractors. These loan guarantees are in great demand and are considered an important aid in meeting the Dutch farmers' credit needs.

Education and extension.--The Ministry of Agriculture provides an extensive system of agricultural schools at college, secondary, and primary levels. Primary agricultural schools, established by farm organizations, also receive government support. There is a similar system of horticultural schools.

The governmental advisory services are organized on a regional basis (24 regions). Each region has a chief adviser who is assisted by one or more specialist advisers and a number of assistants. In addition, farmers' cooperative advisory societies employ assistants to work under the auspices of the chief adviser.

The Government Service for Land Improvement, Drainage and Reallocation provides planning and advisory services concerning such problems as control of water table, land reclamation and drainage, and reconditioning of reclaimed land, as well as reallocation of fragmented farmland.

Land reclamation.--Dutch reclamation of land from the sea, done on an extensive scale for centuries and still continuing, is of considerable importance to agriculture, though its purpose is not solely or primarily agricultural.

The reclamation of the Zuyder Zee--the large, current project--has already added about 300,000 acres to the Dutch land area and will add another 240,000 acres. After the land of a polder is dry, the area destined to be farmland is at first cultivated by the government and put into special crops. After the soil reaches the stage where it can be used for normal cultivation, individual farmers take over as tenants of the government. Despite these extensive additions of the new farmland, the total agricultural land area of the Netherlands is hardly growing at all, since urban, industrial, recreational, and transportation purposes claim additional land each year, and the agricultural area per person is declining as the population increases.

Since 1924 the Netherlands has had a program to encourage consolidation of fragmented farms. By 1953, 180,000 acres were in the process of being consolidated, and preparatory work was being done involving another 925,000 acres. The costs of these operations are to a considerable extent borne by the government. In some years one-third of the total budget for the Ministry of Agriculture has been devoted to this purpose.

Dependence on Trade in Farm Products

France is the world's fourth largest importer, and also an important exporter, of farm products. Measured in calories, food imports and exports are about equal, but the country depends heavily on imported raw materials of agricultural origin. In 1956, agricultural imports accounted for over two-fifths of the value of all imports; 43 percent came from the French Franc Area, and 8 percent from the United States, which was just ahead of Australia as a foreign supplier. In the same year, agricultural exports accounted for nearly one-fifth of all exports; 31 percent went to the French Franc Area, 13 percent to Germany, 10 percent each to Britain and Belgium, 6 percent to Switzerland, and 5 percent to the United States. Total imports increased in 1956 while exports fell. With heavy expenses in Algeria, increased shipping costs due to the Suez difficulties, crop losses from the severe freeze in February 1956, and declining dollar aid, France lost gold and dollar reserves rapidly, and faces a grave balance-of-payments crisis.

Policy Goals

French agricultural and trade policy gives high protection to home agriculture first and French overseas agriculture second. The aim is to expand production, decrease imports, and increase exports, and at the same time to increase agricultural productivity and improve rural living standards. For France, the 1961 goals include an increase in output by one-fifth above the 1955 level, and an increase in exports to foreign countries by one-half. High French prices, reflecting in part an overvaluation of the franc, make export subsidization an essential part of plans to expand farm output, which is already more than one-fourth above prewar. The hope is eventually, through increased productivity, to produce for export at prices that are more nearly competitive in world markets and that also afford producers an adequate income. But now, according to a statement of the Under Secretary of State for Agriculture in 1956, there can be "no expansion of production without exportation, no exportation possible at present prices, no lowering of prices without expansion."

Regulation of Foreign Trade

Imports from the French Franc Area enter the French market virtually unrestricted, whereas imports from foreign countries are subjected to high tariffs, tight quantitative controls, and price equalization fees, which are used in part to subsidize exports. Grains, tobacco, sugar, butter, cheese, and, when imported from foreign countries, most oilseeds and oils are state-traded. Liberalization measures for many other farm products, suspended in the 2 years 1952-53 and then gradually reintroduced, were again suspended in June 1957. France belongs to GATT, the OEEC, the EPU, and the "Hague" and "Paris Clubs," and it has signed the common market treaty. It has bilateral trade and payments agreements with some 50 countries, most of them setting up maximum import and export quotas for lists of goods. When imports from foreign countries must be made, bilateral trade agreement partners are favored.

Exports of most farm products are also strictly controlled. Many are subsidized, directly or indirectly or both, mostly if sent to foreign countries, since France has a protected market in the French Franc Area. Export assistance of all kinds for grain, meat, livestock, wine, sugar, butter, and other farm products in 1956 cost the Treasury the equivalent of $184 million (at the rate of 350 francs to the dollar), or 26 percent of the value of total agricultural exports (as defined by the French); if the comparison is made with agricultural exports to foreign countries, the percentage rises to 43.

Internal Market and Price Regulation

Prices of practically all farm products are regulated in some way at one or more points along the channels of distribution. Products with fixed prices at the producer level include wheat, rye, barley, corn, rice, sugar beets, tobacco, chicory, flax, and silk cocoons. For oats, olive oil, and flaxseed there are floor prices coupled with market intervention to maintain the floor. Maximum and minimum intervention prices, published or unpublished, serve as a guide for stabilization operations in markets for oilseeds, beef and pork, butter, and some cheeses. National "indicative" prices for milk serve to determine departmental wholesale and retail prices for fluid milk. For wine, price support measures include compulsory storage and distillation at the producer level, plus producer loans. There is also diversion of sugar beets and cider apples to alcohol production.

Tobacco and alcohol are state monopolies, and the National Cereals Office has monopoly control over the markets for wheat, rice, corn, and barley. Since 1953, under decree laws authorizing the creation of mechanisms for intervening in and stabilizing agricultural markets, such mechanisms have been set up for sugar and alcohol, meat, milk and dairy products, wine, and oilseeds and oil. In 1955 the government also established an overall agency, the Fund for Mutual Guarantee and Orientation of Agricultural Production, which may make advances, loans, guarantees, or subsidy payments in order to facilitate price support operations, market development, and production adjustments.

In addition to export subsidies, the government pays a subsidy on hemp and on purchases of farm machinery. It also pays a subsidy for uprooting vines. Direct production control is confined to tobacco.

Indirect Aids

Farmers obtain about three-fifths of the money they borrow from a state-supported farm credit system. They get tax concessions on motor fuel, fertilizers, fungicides, and livestock feed, and also certain concessions as payers of direct taxes. Agricultural education, research, and extension services are for the most part organized, managed, and financed by the government, which is devoting increased funds to this work. The government also supports land consolidation, a major undertaking in France with its many badly fragmented holdings; land reclamation and drainage and regional development projects; piping of water on farms; rural electrification; rural roads; rural housing; and improvements in the processing, storage, and handling of farm products.

BELGIUM

Dependence on Trade in Farm Products

Agricultural products in 1955 accounted for 23 percent of Belgian imports. The United States supplied 14 percent of these commodities. On the export side agricultural products are much less important, accounting for 9 percent of the 1955 total. Belgium is one of the few European countries which does not claim balance-of-payments problems as a cause of trade restrictions.

Policy Goals

Belgium has traditionally kept government intervention in agriculture to a minimum. Recent years have, however, brought an increase in measures to bolster farm prices, to increase farm productivity, and to cope with Dutch competition within the Benelux framework.

Regulation of Foreign Trade

The Benelux tariff, common to Belgium, the Netherlands, and Luxembourg, is a moderate one. No tariffs are imposed on imports from the two Benelux partners. Goods originating in the Belgian Congo or in the Netherlands overseas territories may be imported with total or partial exemption from tariffs.

Belgian trade is to a large extent liberalized. The country has, however, received a waiver under GATT, permitting it to impose import restrictions on a number of agricultural products as a protective measure. A minimum price system for imports from the Netherlands is in effect for a somewhat similar list of commodities. All Belgian imports require licenses, either a regular import license, granted by the Belgian Central Office of Quotas and Licenses, or a declaration license approved by any one of the banks empowered to issue foreign exchange. A declaration license does not involve any restriction on imports. There is no state trading in agricultural products.

During 1956-57 about 15 bilateral trade agreements were reported in effect which contained either import or export quotas for agricultural products, or both. The countries with which such agreements have been concluded are the West or East European countries and the USSR. Belgium is a member of GATT, the OEEC and the EPU, the "Hague Club," and the "Paris Club," and is one of the six countries which have signed the common market treaty. Belgium, the Netherlands, and Luxembourg are joined in Benelux, an economic union of the three countries.

The use of export subsidies for agricultural products occurs at times, for instance for pork and eggs, if OCRA (Office Commercial du Ravitaillement) makes purchases to support the price of such products and later reexports them at a loss.

Internal Market and Price Regulations

The Belgian Government sets target prices, based on cost of production for certain key products (wheat, milk, butter, pork, and eggs). The target price for wheat is maintained, more or less, with the aid of a compulsory incorporation rate for domestic wheat. The milk, butter, pork, and egg prices are stabilized by means of restriction on imports from countries other than the Netherlands, by minimum prices on the Dutch products, and by a government stockpiling program. The price of sugar beets is set by agreement between growers and processors.

Several official or semiofficial institutions perform market regulatory functions. OCRA carries out certain buying and selling operations in meats and butter and finances wheat stockpiling. The Office National du Lait carries out government milk policies. A third organization (private) promotes marketing of horticultural products. A law of 1955 established an Agricultural Fund with broad authority to intervene in all important aspects of farm production and marketing. It remains to be seen how extensively it will be used.

Production of cheese and evaporated and powdered milk enjoys direct government subsidies. Certain subsidies are granted for technical installations, improvement of livestock, and purchase of machinery. In 1956 a feed grain acreage subsidy was granted farmers in distressed regions. There is no direct regulation of farm production.

Indirect Aids

The National Farm Credit Institute was established by the government to meet deficiencies in the existing farm credit structure. Furthermore, the Ministry of Agriculture grants loans at low interest to agricultural cooperatives, to young farmers to aid them in acquiring family holdings, and for the construction of silos.

Income taxes fall into three categories according to the source of income--namely, income from real estate, from personal property, or from wages. Farmers have a choice between the latter two taxes and a so-called flat rate taxation which generally results in lower taxes and is used by practically all farmers. It cannot be used by other population groups.

The Ministry of Public Education is in charge of agricultural education at the college, secondary, and primary level. Part-time courses are, however, organized by the Ministry of Agriculture. Attendance at all levels has increased materially in recent years. Belgium does not have a unified extension service, but the various sections of the Ministry of Agriculture include specialist advisers. Agricultural organizations also employ advisers. As a part of the effort to increase farm productivity, the total number of government advisers has been more than doubled in the 1950's.

The Ministry of Agriculture supports a program for reclamation of uncultivated land. It is estimated that 4,250-4,375 acres are reclaimed annually under this program.

DENMARK

Dependence on Trade in Farm Products

In 1956 Danish exports totaled $1,092 million and imports $1,303 million. Foreign trade in agricultural products is of decisive importance to the Danish economy. Nearly two-thirds of all exports--64 percent in 1956--normally consist of agricultural products. Agricultural imports accounted for 23 percent of all Danish imports in that year. The United States supplied close to one-fourth of these agricultural imports. The Danish balance-of-payments situation has deteriorated steadily since mid-1956, and there are no indications of material improvement in the near future.

Policy Goals

In view of the importance of Danish agricultural exports for the economy of the country, it is considered essential to keep Danish agriculture a low-cost, competitive producer, at least in respect of all major products. It is furthermore the policy--set and carried out by the farmers' own organizations--to maintain short-term stability of prices and equal prices to all farmers for the same commodity, regardless of differences in the prices obtained in various markets. Land policies of long standing encourage the small to medium-sized family-owned farm.

Regulation of Foreign Trade

Tariffs on agricultural products are low or nonexistent. (A common Nordic market with Norway, Sweden, Finland, and Iceland is contemplated and would involve a customs union with these countries.) However, Denmark has had a system of import restriction by licensing since 1932. Its administration is vested in the Board of Supply, though a State Grain Office is the licensing authority for most unmilled grains and certain feedstuffs. In recent years a growing number of commodities has been liberalized, first to the OEEC area and later, to a somewhat more limited extent, to the dollar area. Among agricultural commodities which have been liberalized to the dollar area are cotton, tobacco, some oilseeds, rice, various feedstuffs, undressed hides and skins, and casings. Raisins have also been liberalized and some other dried fruits placed on the list for unrestricted licensing. Though grains are currently treated liberally, they are subject to control, as are fresh and canned fruits. Livestock products are subject to licensing, it is stated, to prevent subsidized products from entering the market. There is no state trading.

On January 1, 1957, Denmark had bilateral trade agreements with 29 countries. There is a barter agreement between East Germany and the major Danish trade organizations. A majority of the agreements contain commodity quotas. Agricultural exports to the United Kingdom, formerly subject to long-term purchase agreements, now move entirely without previous agreement. Denmark is a member of GATT, the OEEC, and the EPU, and also of the "Paris Club."

Denmark has a dollar premium scheme under which every exporter to the dollar area gains a premium which at present amounts to 6 percent of the value of the commodity exported. There are otherwise no direct export aids. Exports of all major agricultural products (butter, cheese, meat, bacon, eggs, poultry, horses, and potatoes) are carried out on a centralized basis under rules established by a series of export boards, composed of producers and exporters. This pooling makes it possible to create a certain stability in export prices and to equalize the prices obtained in different markets. No government funds are involved.

Internal Market and Price Regulations

In general, export or import prices determine the prices obtained by Danish farmers. Sugar beets, however, are grown under contract with the sugar factories, the price being fixed each year by the Minister of Trade and Commerce, who also sets the sugar price and is authorized to limit the area under beets. A similar arrangement is in effect for potatoes for industrial use.

Indirect Aids

Agricultural credit in Denmark is primarily obtained by cooperative means. The government, however, makes cheap loans available for the establishment of small holdings and provides certain grants and loans for drainage, liming, and land reclamation. The tax on gasoline is not levied on gasoline sold for use in farm tractors or stationary motors used on farms. Farmers otherwise do not enjoy tax privileges.

It is a characteristic feature of Danish agricultural education, including extension work, that it grew spontaneously and later began to receive government support. An exception is the Royal Agricultural College, established under a law of 1856. While the government employs a few agricultural advisers in specialized fields, by far the greater part of the extension work is performed by the advisory services of the two large farm organizations, the Farmers' Associations and the Smallholders' Associations. Large government grants are given the organizations for this work. Research and experiment work is also to a large extent government-operated or supported.

Land reclamation is carried out on a small scale only. Government loans and grants in 1955 provided 27 percent of all costs connected with land reclamation, drainage, irrigation, marling, and liming. Consolidation of farmland in Denmark was accomplished largely in the 19th century, and land policy in recent decades has mainly been concerned with the creation of small holdings. This program continues.

SWEDEN

Dependence on Trade in Farm Products

In 1956 Swedish exports totaled $1,940 million and imports $2,205 million. Agricultural products accounted for about 18 percent of the value of all imports. The United States supplied one-seventh of these agricultural imports. Only 5 percent of Sweden's exports were farm products. The 1956 balance-of-payments deficit of about $40 million on current account was only half that of 1955. Gold and foreign exchange reserves rose slightly.

Policy Goals

A farm standard of living equal to that of comparable population groups and near-self-sufficiency in food production are the basic goals of Swedish farm policy. The degree of protection granted through price and marketing policies to achieve the income goal has reference to a "basic" type of farm. Smaller or less well-situated farms may receive additional support. Land policies aim at amalgamation in the long run of such small uneconomic farms, consolidation of fragmented farmland, and land improvement. Only farm operators are permitted to buy farmland, and the government may take over land not properly farmed.

Regulation of Foreign Trade

Tariffs are low, but far more important are the flexible import fees levied on major Swedish farm products as a part of the new farm price policy of 1956. The fees were originally planned to equal 10-15 percent of the import value and to exceed 25 percent only in exceptional cases. They replace former tariffs and fees as well as quantitative restrictions. Only if prices drop below certain set floor levels will quantitative restrictions again be applied. Apples and pears are not subject to import fees but are restricted seasonally.

Among farm commodities not produced in Sweden, or produced only on a small scale, and not subject to restriction when imported from the dollar area, are corn and rice, cotton, flaxseed, linseed oil, soybeans, dried and canned fruit, fruit juices, nuts, canned asparagus, casings, and hides and skins. For certain other commodities licenses are granted automatically if payment is made in "transit dollars," which command a small premium. A third group of commodities require regular licenses. Wheat is liberalized.

Tobacco imports are in the hands of the Swedish Tobacco Monopoly. Marketing associations for major commodity groups--meats, dairy products, eggs, grains, and oilseeds--formerly had monopoly rights on foreign trade in their respective products. They may exercise such rights again if quantitative restrictions are reestablished.

In the spring of 1957 Sweden had about 15 bilateral trade agreements which contained quotas for agricultural products. Of special significance is the agreement with Germany, which provides Sweden an outlet for 250,000 tons of wheat annually for 3 years.

The proceeds from the import fees discussed above and from certain domestic fees go into so-called compensation funds for the various commodity groups. They can be used to subsidize exports of commodities within the group. The funds do not receive direct government appropriations.

Sweden is a member of GATT, the EPU, and the "Paris Club."

Internal Market and Price Regulation

For the farm products subject to the present price and marketing system (grains, legumes, sugar and sugar beets, potatoes, oilseeds, fats and oils, meats and live animals, milk and dairy products, and eggs), goal prices as well as ceiling and floor prices are set for a 3-year period. Ceiling and floor prices are some 10-15 percent above and below the goal prices. Actual prices fluctuate within this range. Furthermore, the Grain Trade Association at the beginning of each crop year sets a redemption price at which it will buy domestic wheat and rye unsold by the following April 1. Oilseeds and starch potatoes are grown under contract at guaranteed prices.

The government grants several milk subsidies. One of them goes to all producers, others to small producers or to the northern counties only. Small grants are available for flax and hemp growers. Freight subsidies are granted for feed shipped to producers in the north. Aid is also provided for electrification and other improvements on farms. There is no direct regulation of production.

Indirect Aids

Government guarantees in 1955 covered 8 percent of farm loans granted by the major farm credit institutions. Government loans came to nearly 9 percent of total institutional farm credit. A subsidy on tractors of $63 per year is granted as an equivalent of the gasoline tax.

The agricultural schools and the extension service, originally privately organized, now receive substantial government support. The introduction of a mandatory 9-year school system with agriculture taught in the upper grades will add materially to basic farm training.

Loans and grants are available for land reclamation, but far more important is government aid for the amalgamation of small farms and consolidation of fragmented farmland.

Dependence on Trade in Farm Products

Switzerland is heavily dependent on agricultural imports, which represented less than one-third of all imports in 1956. Agricultural exports are inconsiderable. The United States was the most important foreign supplier of farm products, accounting for about 13 percent of all agricultural imports. United States exports of farm products to Switzerland in 1956 amounted to about $56 million.

Policy Goals

Agricultural policy aims at a high degree of food self-sufficiency, at halting the decline in farm population, and at offsetting the traditional imbalance between crop and livestock production. Swiss agriculture is supported by a level of farm prices higher than anywhere in Western Europe.

Regulation of Foreign Trade

Practically all farm imports competing with domestic products are strictly regulated by a variety of devices closely linked to domestic support programs. Tariffs on farm products are low and no obstacle to imports. Switzerland is not a member of GATT, but may accede in the near future. Quantitative import controls are exercised both directly--through the imposition of quotas and through state trading and trade monopolies--and indirectly, through such devices as importers' obligations to purchase domestic surplus products in proportion to their imports and through price supplements on imported commodities. Liberalization applies equally to imports from OEEC and the dollar areas.

Bilateral trade agreements with a number of countries provide for import quotas of farm products. In this respect, exception is made to the overall goal of maximum self-sufficiency by keeping the output of certain products below domestic requirements so as to allow for imports from countries in which Switzerland desires to maintain export outlets. Farm exports are insignificant, but those that do occur are usually subsidized.

Internal Market and Price Regulations

Production, market, and price controls are exercised by the government through state agencies, trade monopolies, and collaboration with private producer and trade associations. Producer, wholesale, and retail prices are either fixed or indirectly supported. Thus the prices of bread grains, flour, sugar beets, milk, butter, and hard cheese are fixed; those of coarse grains, fruit and vegetables, and livestock products are in various other ways maintained near or at desired levels.

Trading of most farm products is strictly regulated so as to eliminate almost entirely the free play of market forces. Bread grains, for instance, may only be purchased by the Federal Grain Administration, which has also the exclusive right to authorize their import. The proportion between foreign and domestic bread grains purchased by mills is officially determined, and the latter must also keep stocks at levels set by the government. Milk may not be directly sold to consumers, but only to processing centers. Retailing of milk, including retailers' profit margins, is state controlled. Marketing of butter is regulated by the semiofficial monopoly, Butyra; that of hard cheese by the Swiss Cheese Union, a traders' association.

Subsidies apply to a wide range of farm products. They are partly paid by the government, and partly from special funds of trade or producers' organizations supplemented by official payments. For instance, the producer price of bread grains is directly subsidized; but the producer price of milk is fixed, while the consumer price is subsidized from levies paid by producers into a special fund. Only the deficits of this fund are covered by the Treasury.

The government has the power to impose output restrictions, but it prefers generally to regulate production indirectly. Thus it influences the extent of the coarse grain acreage through the payment of premiums per acre planted. This, together with the controlled import of feed grains, helps to regulate the livestock and dairy economy. Similarly, butter surpluses are limited by diverting milk from the production of butter to that of cheese and canned milk. However, egg output is limited by restricting the number of producers.

Indirect Aids

Farm credit is easily available at rather low interest rates. The government does not extend credit, but some of the credit institutions from which farmers borrow were originally endowed with government funds. The same tax principles apply to agriculture as to the rest of the economy, but the method of appraising taxable values usually leads to lower assessments than in commerce and industry. Thus the tax burden of farmers seems to be lighter than that of other economic groups.

Agricultural education is not very extensive. Vocational training is not obligatory except for the attendance of short training courses by young farmers. The extension service is of limited scope. It is subsidized by the government and collaborates closely with trade associations, cooperatives, and local authorities.

The government furthers land improvements, construction of rural roads and highways, and, particularly, the consolidation of farm holdings. It grants subsidies to this effect varying from 20-40 percent of costs, subject, however, to equivalent subsidies from local or regional authorities.

AUSTRIA

Dependence on Trade in Farm Products

Agriculture plays an important part in Austria's economy, but the country is not self-sufficient in farm products. In 1956, agricultural imports represented about one-fourth of all imports; agricultural exports were insignificant. The United States occupied first place among foreign agricultural suppliers, accounting for about 20 percent of all farm imports. United States farm exports to Austria in 1956 amounted to $38 million.

Policy Goals

The principal goals of Austrian agricultural policy are the attainment of "the highest possible" degree of self-sufficiency in food, the improvement of farm incomes, and the maintenance of the agricultural population at present levels. A number of laws enacted to this effect since the end of the war are to be consolidated in a comprehensive "basic agricultural law."

Regulation of Foreign Trade

Except for liberalized commodities, foreign trade in agricultural products is regulated directly by quantitative control and bilateral agreements and indirectly by internal market and price regulations.

Tariffs play a minor role in the control of foreign agricultural trade. A new tariff law about to be enacted sets duties generally higher than the present rates. The average level of agricultural tariffs actually applied will, however, remain moderate.

Liberalization covers a larger percentage of agricultural products from the OEEC area than from the dollar area. The exclusion from dollar liberalization of certain imports liberalized toward the OEEC area discriminates against the United States, but due to the commodity composition of the respective imports, this discrimination is not very great. Since quantitative import restrictions are closely linked with domestic support programs, the competent ministries can grant import permits only after having obtained approval from the organizations administering these programs.

Bilateral trade agreements, including quotas for agricultural products, were in force with 24 countries around the middle of 1956. Although these quotas are often of a tentative nature, their implementation, together with the domestic marketing and price programs, closely circumscribes the amounts of commodities that can actually be imported. Exports of agricultural commodities benefit in certain cases from support by the government and organized producers, such as subsidies on surplus dairy products and freight or tax refunds on hog and cattle exports. However, the occasional promotion of agricultural exports and these exports themselves are of small significance.

Internal Market and Price Regulations

Farm, wholesale, and retail prices of the principal agricultural products are either directly fixed or indirectly maintained in conformance with the so-called price-wage agreement, the foundation of Austria's overall price structure. Three basic funds or boards, supported by additional legislation, are instrumental in the implementation of these aims. These boards, composed of representatives of agriculture, industry, and labor under the chairmanship of the Ministry of Agriculture, exercise government control in their respective fields.

The Grain Equalization Fund administers the price of bread grains. Since producer prices are higher than the consumer prices of flour, the difference is subsidized. Millers pay a levy on wheat and receive a bonus on rye, so that the politically important price of dark bread is kept at about the level fixed in the price-wage agreement. The Grain Equalization Fund also subsidizes imports of food and feed grains if their price exceeds domestic levels, and absorbs the difference if the import price is lower. It selects bids submitted by grain importers, subsidizes freight cost to equalize prices throughout the country, and administers the government-supported stockpiling program.

The Milk Economy Fund maintains a fixed producer price for milk and dairy products and subsidizes consumer prices. It equalizes processing costs and freight charges, controls imports, and subsidizes exports in times of surpluses. It also allocates milksheds and markets to individual dairy plants. The Livestock Trading Fund maintains target prices for livestock and livestock products primarily by controlling foreign trade in this field and by intervening in the domestic market through storage operations.

Apart from the subsidies that have been indicated, the acquisition of certain farm requisites is also subsidized. Foremost in this respect are subsidies on certain imported fertilizers and compensation payments for freight charges on all fertilizers. There is no direct control of production.

Indirect Aids

Farm credit is extremely tight. The government tries to relieve the credit scarcity by paying part of the interest rate (e.g., 2 percent out of 8). Beneficiaries of such assistance are mostly mountain farmers, but also others whose farms are in urgent need of improvements.

The same taxation principles apply to farm and nonfarm enterprises. However, the trade tax based on the proceeds and capital of a firm is substituted in agriculture by a land tax based on land values which tends to lighten the overall tax burden. Moreover, some relief is granted, such as exemptions from land transfer taxes, so as to encourage early transfers of farms to the younger generation.

Agricultural schools have been greatly expanded during the last few years, though the number of farmers and farmhands trained in special agricultural institutions is still small. Extension and advisory services have likewise been expanded. These services, organized on a Province basis, are liberally supported by the Federal Government.

Land consolidation, an urgent problem on about 3 million acres of badly fragmented farmland (30 percent of total farmland) is encouraged by the government. If the majority of farmers in a community votes for it, the remaining farmers are obliged to join. The farmers usually pay 40 percent of the costs, 60 percent being covered from public funds.

ITALY

Dependence on Trade in Farm Products

Agricultural imports averaged $870 million, about 30 percent of Italy's total imports, and agricultural exports $490 million, about 25 percent of Italy's exports, during 1955 and 1956. The United States furnished about 9 percent of Italy's agricultural imports and took about 8 percent of its agricultural exports during that period. Major agricultural imports were cotton (one-third from the United States), wool, coffee, and wheat (Argentina principal supplier, little from the United States). Major agricultural exports are fruit and vegetables, principally to European markets. Chief exports to the United States are cheese, tomato products, olive oil, and wine.

Policy Goals

Italy's agricultural policy lays emphasis on increasing productivity in order to increase farm income, reduce underemployment in the farm sector, expand exports, and reduce imports of agricultural commodities.

Underdeveloped areas in southern Italy, Sicily, and Sardinia, where living standards are far below those of the north, are receiving special attention. Most of the land reform activities are in these areas and a special Southern Development Fund has been set up to carry out large-scale improvements there. The Vanoni Plan, which is the basic framework for Italian economic planning, calls for an increase in agricultural production of 23 percent (in value terms) from 1955 to 1964. The largest increase (37 percent) is planned for livestock production, followed by that of fruit (36 percent), vegetables, industrial crops, and olives. The plan calls for a decrease in the number of persons employed in agriculture; all of the population increase and the unemployed, and some of the underemployed, are to be absorbed in other sectors of the economy.

Italy's wheat production, supported at far higher than world prices, has reached a level approximately equal to domestic requirements (more than needed for soft wheat, still below requirements for durum wheat). The government's long-standing policy of supporting wheat production at all costs has recently been modified somewhat and will probably be further modified in the future.

Regulation of Foreign Trade

Italy imposes high tariffs on most agricultural commodities, though the "temporary" tariffs at present in effect are not as high as those in the schedule passed in 1950. The latter, with some exceptions, have never been applied.

Italy has removed quantitative restrictions on most agricultural products imported from EPU countries and associated areas (including all countries of the sterling bloc), and recently announced elimination of restrictions on imports from the dollar area on an additional list of commodities including cotton, by far the principal agricultural import from the United States.

Italy belongs to GATT and the OEEC and has signed the common market treaty. Except for payments to the dollar area and those under bilateral accounts, current accounts now can be paid with multilateral (transferable) lire; this arrangement until recently was limited to members of the EPU and associated areas and the "Hague" and "Paris Clubs." Italy has bilateral agreements with some 30 countries which include a number of agricultural commodities of interest to the United States, the most important being cotton. It plans, in renewing bilateral agreements, to provide for payments in transferable lire rather than through bilateral clearing accounts whenever possible. No special assistance is given to exports of farm products, except for preferential railway rates and rebates of turnover taxes.

Internal Market and Price Regulation

Prices of a number of important agricultural products are supported either by means of government price fixing (wheat, rice, sugar beets, hemp, and tobacco, the latter under a state monopoly), or by intervention of the Federation of Agricultural Cooperatives in the form of voluntary pooling arrangements, usually without government financial assistance (at present, coarse grains, dry legumes, olive oil, certain types of cheese, butter, silk cocoons). Excise taxes levied on certain competing oils also help to support olive oil prices. The fixed prices for wheat apply only to the portion compulsorily pooled. Prices of soft wheat, sugar beets, and rice have within the past year been reduced somewhat to lower production, whereas durum wheat prices have been raised to encourage production. The government has the power to fix wholesale or retail prices of practically anything; this is currently being used for wholesale prices of wheat (the portion compulsorily pooled and imported), rice, sugar, yeast, molasses, raw hemp, and bread, and for retail prices only of bread.

The government subsidizes purchases of selected seed of grains, fodder crops, and vegetables, as well as purchases of fertilizer, by certain classes of farmers. It also provides subsidies for reclamation and farm improvements. Prices of motor fuels for agricultural use are fixed at a level well below that for other uses. There are at present acreage controls on sugar beets, tobacco, and rice.

Indirect Aids

The government assists farmers to obtain credit at reasonable rates under various programs.

The incidence of direct and indirect taxes on agriculture appears to be well below that in other sectors of the economy, based on total income. Nevertheless, there are frequent complaints that taxes on farmers are excessive from the point of view of the low per capita farm income.

Attempts made in postwar years to create a more effective extension service under the Ministry of Agriculture resulted in some improvement. However, only the land reform agencies are equipped to provide real extension-type assistance to small farmers.

The Italian Government has for decades been active in land reclamation work. In 1951 roughly 14 percent of the total area in arable land, including tree and vine crops, was irrigated, mostly in northern Italy. In recent years special emphasis has been given to reclamation in land reform areas principally in the south.

SPAIN

Dependence on Trade in Farm Products

In 1953-55, agricultural products accounted on the average for about 25 percent of Spain's total imports, in value terms, and 55 percent of its exports. During this period, 40 percent of Spain's agricultural imports consisted of cotton (over half from the United States), and about two-thirds of its agricultural exports consisted of fruit and vegetables, one-third of citrus fruit alone. Spain's major agricultural exports to the United States are olives and olive oil.

Policy Goals

The essential objectives of Spain's agricultural policy are to achieve maximum self-sufficiency in food and fibers in order to reduce foreign exchange requirements, and to export more agricultural products in order to increase foreign exchange earnings. The expansion of agricultural productivity necessary to attain these goals should also bring about an improvement in farm income and a reduction of underemployment. This aim has not, however, received primary emphasis in the stated goals of policy.

Regulation of Foreign Trade

Spain has high tariffs on most agricultural products and quantitative restrictions which keep out agricultural imports except those considered essential. Import licenses and foreign exchange permits are required for all imports. Practically all imports of agricultural commodities are handled on a call-for-bids basis by the government or by semigovernmental organizations--food chiefly by the government's General Commission for Supply and Transport (Abastos), cotton by the National Cotton Center, and tobacco by the State Tobacco Monopoly. The only significant exceptions have been small quantities of cheese and liver paste, which have been imported under license by private importers.

Spain is not a member of GATT; it is associated with but is not yet a member of the OEEC. It has bilateral agreements with nearly 40 countries. These agreements play an important role in determining the direction of imports and exports, and most of them include agricultural products. Spain's agricultural imports from the United States in the last few years have been made up principally of commodities provided under PL 480 and Section 402 of the Mutual Security Act.

All exports are subject to export licenses, which often take a long time to obtain. Open licenses are granted to exporters at the beginning of the season, however, for citrus fruits and apricots. Minimum export prices are set up for a number of commodities. The system of multiple exchange rates, which was manipulated so as to favor certain exports or imports, was abolished in April of this year, at which time a unified exchange rate of 42 pesetas to the dollar was established. There are at present no special aids for exports, except for a rebate on the sugar price--in effect making sugar available at the international instead of the much higher Spanish price--and on exports of processed fruit and a premium for exports of apricot pulp. There are export taxes on olive oil, olives, and untanned skins.

Internal Market and Price Regulations

Prices of most farm products are subject to control at some point in the channels of distribution, including the prices paid to the farmer for most of the basic products. A new decree in November of 1956 attempted to halt mounting inflation by strengthening price control regulations, giving added authority to the General Commission for Supply.

Wheat is probably the most strictly controlled crop. The National Wheat Service (NWS) fixes prices, and is the only authorized buyer of wheat from the farmer. The markets for other grains and dry legumes also are controlled by the NWS, but not to the same extent. There is a support price for rye, at which the NWS will buy rye offered to it, though the farmer may sell it freely elsewhere. Floor prices are fixed each year for corn, barley, oats, and dry legumes, and the NWS also occasionally steps in to prevent price rises. Spain has a dual-pricing system for rice; the part of the crop to be exported is under compulsory delivery at a price lower than the domestic support price. There are minimum producer and maximum consumer prices for olive oil and fixed prices for oilseeds and oil, domestic or imported, sugar beet and cane, cotton, and tobacco. Prices of wine are supported by the Wine Surplus Purchasing Commission.

The government subsidizes the construction of grain storage facilities and manure pits, land consolidation, reforestation, and, by means of interest-free loans, the construction of irrigation facilities, farm buildings, electrification, processing facilities, tree planting, and so forth. There are minimum acreage requirements for wheat, oilseeds (in certain irrigated areas), and, in some cases, for forage crops, and limitations on acreage or production of rice, sugar, tobacco, and wine. Legislation on citrus fruit plantings is designed to encourage planting of export varieties and avoid citrus plantings in unsuitable areas.

Indirect Aids

The government through its National Agricultural Credit Service and the National Institute of Colonization has considerably expanded the credit available to agriculture in recent years. Interest rates on loans from the Agricultural Credit Service vary from 2.75 percent to 4 percent, depending on the purpose and whether the borrower is an organization or individual. The National Institute of Colonization makes available loans with and without interest, depending on the type of improvement for which they are made.

Tax revenues from agriculture accounted for only 3.4 percent of total collections in 1956, though one-half of the population is agricultural and about one-third of the national income is derived from agriculture. The principal form of direct farm tax is that on land.

The government is currently enlarging and improving its extension service. However, up to now extension work is still on a small scale.

In the 7 years from 1950 through 1956 some 336,000 acres were put under irrigation by the National Colonization Institute, nearly 267,000 acres during the last 3 years. This represents the first large-scale increase in irrigated area since before the Spanish Civil War. Expansion of the irrigated area plays a major role in plans for increasing agricultural productivity.

GREECE

Dependence on Trade in Farm Products

Agricultural products account for about 25 percent of Greece's total imports in value terms and 83 percent of its exports, based on 1955 and 1956 trade figures. Nearly 60 percent of its agricultural imports came from the United States; over 60 percent of the United States farm products imported consisted of wheat. Only about 13 percent of its agricultural exports, chiefly tobacco, went to the United States.

Policy Goals

Greece's agricultural policy is aimed toward larger output and improved quality of export products in order to increase foreign exchange earnings and toward larger output of food for domestic consumption in order to reduce imports and improve the quality of the diet. Greater emphasis on intensive crops is expected to reduce underemployment and raise the low income level of the farming population.

Regulation of Foreign Trade

To protect domestic agriculture, Greece imposes tariffs which are high for many farm products. Since devaluation of the drachma in April 1953 there have been no quantitative restrictions on imports of agricultural products except for wheat and wheat flour, which can be imported only by the government. Imports of other agricultural commodities require licenses, but these are automatically issued, providing deposit requirements have been met. Although all agricultural products except wheat and wheat flour can be imported by private traders under these procedures, a relatively large proportion of the basic foods is imported by the government, through private traders on a bid basis, in order to make them available to consumers at lower prices and hold down the cost of living.

Greece is a member of GATT, the OEEC, and the EPU. It has bilateral trade agreements with nearly 30 countries. Since devaluation of the drachma in 1953, exports have not been directly subsidized, but the government aids in financing the export of a number of commodities. Though most exports are handled by private traders, the central cooperative organizations or semigovernmental commodity organizations (e.g., the National Currant Organization) sometimes handle exports of part of the crop when difficulties are encountered. A special export organization, Agrex, backed by the Greek Agricultural Bank, handles foreign sales of fresh fruit, for which the government is now trying to develop markets.

Internal Market and Price Regulation

The government supports wheat, currant, raisin, and olive oil prices by providing for collection of part of the crop at "security" prices. Collateral loans, extended by the Agricultural Bank on a number of crops, also help support prices by placing the farmer in a stronger bargaining position. Retail prices of the basic foods are subject to government control. The government fixes the ratio of imported to domestic wheat in flour. Prices of dark bread are subsidized by selling 90 percent extraction flour at less than cost, 78 and 70 percent extraction flour at above cost.

The only direct subsidies to agricultural production are the subsidies on fertilizer, primarily on imported nitrogen and potassium fertilizers. Transportation costs on fertilizer and other farm requisites handled by the Agricultural Bank are also subsidized to the remote areas at the expense of the nearby ones, since farmers pay a uniform price regardless of location. Acreage planted to tobacco and vineyards is controlled by the government. There are no acreage limitations or compulsory planting of any other crops.

Indirect Aids

The inadequacy of credit available at reasonable rates is a serious handicap to the Greek farmer. The main source of credit is the Agricultural Bank, which obtains its funds chiefly from the Bank of Greece. Funds are loaned out by the Agricultural Bank at interest rates ranging from 7-1/4 to 8 percent, usually to the cooperatives or a Union of Cooperatives, which in turn add charges to cover their expenses. Most of the loans are on a short-term basis, medium and long-term loans accounting for only 8 percent of the total in 1956.

The direct taxes paid by farmers are not ordinarily high. The income of most farm families is far below the exemption under the new income tax legislation, and there are no land taxes or direct taxes on crops or livestock. Farmers pay the same indirect taxes as the rest of the population, except for a lower tax on petroleum products.

Greece's extension services, which were completely reorganized in 1950, have improved remarkably since then.

Before World War II Greece's total irrigated area was about 640,000 acres; this has since then increased to over 800,000 acres, or nearly 10 percent of its total cropland, including orchards and vineyards. Plans call for substantial further expansion of irrigated areas. Large areas have also been improved by drainage and flood control measures. A land reform program to break up the few remaining large estates was started in 1950. The government is sponsoring consolidation of fragmented holdings.

LATIN AMERICA

Agricultural policy throughout Latin America is directed toward expanding output of commodities either for export or domestic consumption. In most countries, this is part of a larger plan for economic development, including industrialization, and reflects a growing spirit of nationalism.

The Latin American countries are the most important source of agricultural products for the United States. In 1956 almost half of the agricultural imports of the United States came from Latin America and United States agricultural imports were more than half of the total imports of $3.6 billion from this area. The area is also becoming an increasingly important market for United States goods, taking a total of $3.7 billion in 1956. Industrial products are by far the most important, but the area took $516 million worth of United States agricultural products in 1956. Cuba is the United States' principal Latin American market for agricultural items, with Venezuela and Mexico taking turns as a second market, and Brazil and Colombia being important outlets.

As a general rule, the northern countries of the area (including Venezuela and Colombia in South America) are important markets for United States wheat, fats and oils, and dairy products, and the southern countries are competitors with the United States in third markets. In 1956 the northern bloc took more than 70 percent of United States agricultural exports to Latin America. Most of the northern countries are in the dollar area, whereas most of those in the south have so-called soft currencies. Countries in Latin America with convertible currencies are Cuba, Dominican Republic, Haiti, Mexico, El Salvador, Honduras, Guatemala, Panama, and Venezuela.

With the exception of Venezuela, Bolivia, and Chile, all the countries of Latin America depend heavily on agricultural exports to furnish exchange for the purchase of needed imports. In Argentina and Uruguay, agricultural products account for more than 95 percent of total exports, and in eight other countries they make up more than 90 percent.

Many of the Latin American countries depend on only one product as their principal export: coffee in Brazil, Colombia, and El Salvador, for example, and sugar in Cuba. Mexico and Argentina, on the other hand, export a variety of goods. For all countries except Argentina, Uruguay, and Paraguay, the United States is the principal market. These three countries send most of their commodities to Europe and to other Latin American markets.

While the drive for agricultural expansion has been directed toward greater self-sufficiency, most Latin American countries import considerable quantities of farm products. In Bolivia and Chile, agricultural imports are about one-third of the total value and in Cuba, Guatemala, Haiti, Paraguay, and El Salvador, more than 20 percent. Argentina, and Uruguay, however, are practically self-sufficient in agricultural products.

A little less than half of Latin America's total imports originate in the United States. For the northern group of countries the United States is the principal source of agricultural items, and it supplies significant amounts to the southern countries. Argentina, however, is the source of much of the agricultural imports of Brazil, Chile, Paraguay, Bolivia, and Peru. For certain dairy products, the Netherlands, Denmark, and Switzerland are competing in the Latin American market with United States products; and Canada is a competitor for the wheat trade.

The level of tariff rates varies widely from one Latin American country to another. Peru, for example, has relatively low import duties and Mexico has high rates that effectively limit trade. Eight countries are members of the General Agreement on Tariffs and Trade (GATT): Brazil, Uruguay, Peru, Chile, Nicaragua, Cuba, the Dominican Republic, and Haiti. Five other countries have bilateral trade agreements with the United States: Venezuela, Argentina, Honduras, El Salvador, and Paraguay. Under GATT and in the five bilaterals, rates of duty are fixed and other commitments are included with respect to trade in agricultural items with these countries.

Several of the Latin American Republics have resorted to quantitative controls to restrict trade on balance of payments grounds or to protect domestic industry. Exchange control has been a popular method of regulating trade in Argentina, Brazil, Uruguay, Chile, Colombia, and Paraguay; licensing of imports is practiced in Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, and Uruguay; and state trading is a powerful instrument of control in Mexico, Brazil, and Colombia.

Many of the countries have entered into bilateral trade and payments agreements to effect settlement of accounts. Countries with inconvertible currencies have used this device more often than the dollar countries. For Argentina and Brazil, particularly, bilateral agreements have been popular. In addition to bilaterals each of these countries now has a multilateral trade and payments arrangement with several European countries whereby each of the European participants will accept in payment not only its own currency but also that of any other member of the agreement. These agreements are popularly known as the "Hague Club" and the "Paris Club" for Brazil and Argentina, respectively.

The exchange-control mechanism has been used from time to time to provide export subsidies to exporters of certain products. Uruguay has used this method to subsidize exports of wool tops, for example. Mexico encourages cotton exports through barter and "compensation" arrangements that require importers of an expanding list of commodities to show evidence that an equivalent value of cotton has been exported.

A long list of countries is now supporting farm prices to the producer to encourage increased production or maintain output, and certain countries also have retail ceiling prices on basic food items in an effort to control the cost of living.

Colombia and Brazil have particularly high support prices and subsidies for wheat. Production has responded but both countries still import substantial quantities of wheat. Mexico, on the other hand, has supported wheat prices, restricted imports, and otherwise encouraged production to the point of self-sufficiency. Support prices are also paid for several export commodities--for example, the new coffee program in Brazil.

From time to time different Latin American countries have restricted or regulated production or marketing because of surplus conditions in the world market. One example was the restriction on harvesting of sugarcane in Cuba during several recent years.

Most of the principal importing as well as exporting countries are assisting agriculture by providing credit institutions. In several countries, supervised credit systems are operating to aid small farmers. In addition many countries have started extension work to help farmers apply improved techniques. In general these programs are only beginning and have a long way to go before the countries can claim to have up-to-date extension and agricultural education services.

Irrigation, drainage, and resettlement projects are in operation in two or three countries. Mexico is an outstanding example of the increased agricultural output that can come from such programs.

The Latin American countries have received foreign technical assistance in agriculture from the International Cooperation Administration of the United States as well as from various units of the United Nations, including the Food and Agriculture Organization. There are also a few programs under the sponsorship of the Organization of American States. In addition, technicians associated with the Rockefeller corporations and foundations, as well as with industrial concerns, are working in Latin America.

The present overall policy of Argentina is directed toward promoting the economic recovery of the country. The steps taken so far to implement it include the devaluation of the peso and the establishment of a free exchange market which, together with an increase in certain guaranteed agricultural prices, furnish incentives to production; the dissolution of state trading; participation in a multilateral trading arrangement with Western Europe; negotiation of international credits; and negotiation for refunding the commercial debt with Western Europe and Japan. Argentina also recently became a member of the International Monetary Fund (IMF).

Dependence on Trade in Farm Products

Of all the major exporters of agricultural products, Argentina was the most dependent on agriculture for foreign-exchange earnings in 1955 and the second most dependent in 1956. During the past decade agricultural products, including forest products, have accounted for over 95 percent of the value of total Argentine exports. Argentina is an important supplier of grains, meat, and vegetable oils. Exports of wheat reached a peak in the late twenties, with about 250 million bushels exported in 1929. The volume of grain exports was highest in 1931, when corn exports alone totaled 375 million bushels. Chilled and canned meats have also been important exchange earners, with the canned product representing one of the most important dollar earners. Lately, Argentina has incurred trade deficits. In 1955 the deficit was $244 million and in 1956, about $170 million. Increased exports of grains and meat during the first quarter of 1957, however, indicate that the deficit may be less for 1957.

Most of Argentina's trade is with Europe. Exports of grain to Europe, particularly wheat and corn, are heavy. Some Latin American countries also take large quantities of Argentina's grain. Shipments of Argentine beef go primarily to the United Kingdom.

Many of Argentina's exportable agricultural products are also exported by the United States and compete in the same foreign markets. Therefore trade between the two countries in most years is relatively small. United States agricultural imports from Argentina are larger than exports to that country. In 1956 United States agricultural exports to Argentina totaling $23.6 million were unusually large and consisted primarily of cottonseed oil. Edible oils were in short supply that year because of a poor sunflowerseed crop, though generally Argentina is a net exporter of edible oils. Imports of farm products into the United States from Argentina for the same year were valued at $106 million and consisted mostly of carpet wool, tung oil, and canned and corned beef.

Policy Goals

The various new agricultural policies and programs being adopted by the Provisional Government of Argentina are aimed at revitalizing the country's agricultural production and trade in order to reverse the downward trend in farm exports, upon which the country ultimately depends for its foreign exchange earnings. At the same time, the government is attempting to hold down the cost of living through a price control system for basic commodities and numerous other items, while transferring to a free price structure and to private trading.

Regulation of Foreign Trade

The Argentine Government in past years operated directly in controlling its foreign trade through its state trading agency, IAPI (Instituto Argentino de Promoción del Intercambio); exchange controls; licensing of both exports and imports; and bilateral agreements. Often these have been more important than tariff rates in controlling Argentine imports. The Provisional Government, however, has taken steps to promote agricultural production and exports through various measures including more freedom of trade.

Argentine trade in agricultural products was placed under the control of IAPI in 1946. IAPI was then vested with broad powers over trade promotion, control of exports, foreign purchasing operations, the determination of local purchase prices and export prices, and the negotiation of trade agreements and related activities. After the Argentine Provisional Government took over in late 1955, however, it decreed the liquidation of IAPI as a step in removing trade from government control and promoting private trading. Most of IAPI's powers over agricultural commodities at first were transferred to the National Institute of Grain Elevators and the National Meat Institute. Later in 1956, the Meat Institute was reorganized and a National Grain Board was organized to replace the Institute of Grain Elevators. They are both autonomous organizations to supervise trade--one in grains and the other in meat--and represent an important step away from state trading and toward private trading. The Grain Exchange has been reopened after having been closed for 10 years, and all grains except wheat are quoted on the exchange. Also, all grains, with the exception of wheat, have already been opened to free trading but minimum prices will have to be observed and their enforcement is up to the National Grain Board. Export quotas may be established on these and other commodities, however, whenever domestic consumption is threatened.

Multiple exchange rates formerly used by the Government of Argentina to control trade have been replaced by a more liberalized exchange system designed to facilitate trade.

Prior to October 1955 a complicated system of multiple exchange rates was in effect. The official buying and selling rates were 5 and 7.50 pesos to the dollar, and the officially controlled "free market" rate was pegged at 14 pesos to the dollar. Import and export rates ranged from 5 to 14 pesos depending on the commodity and were subject to frequent change at the discretion of the government. In October 1955 the Provisional Government devalued the peso through establishment of a single official rate of 18 pesos to the dollar, with equivalent rates for other currencies. At the same time a free market was opened in which exchange rates are determined by demand and supply. The new official rate has tended to bring the Argentine peso more nearly into balance with other world currencies and is therefore a stimulant to trade. As an additional stimulant, exports of some products are authorized by the Central Bank at the free market rate. This rate applies to both imports and exports of commodities not specified by the bank as on the lists requiring the official rate. Permits are not required for free market imports, only for those at the official rate. In general, government restrictions, however, are keeping imports at a minimum.

The government has also set up "aforo" values on its export products. The aforo is an official price set by the Central Bank for the purpose of determining the amount of exchange that must be bought by the exporter from his foreign exchange proceeds at the official rate of exchange. This value is also used for the purpose of computing retentions and other taxes. When the government wishes to stimulate exports of a product, it lowers the aforo value so that the product is better able to compete successfully on the world market. Competition is made easier because the proceeds received from the export sale in excess of the aforo value can be negotiated at the free market rate, which was 42.1 pesos to the dollar on July 15, 1957. The Central Bank changes the aforos at its discretion, trying to keep them at about 10 percent below the world price in order to take into account variations in world prices due to quality differences or short-term fluctuations. With the freeing of the trade in oats, barley, rye, and linseed, the aforos for these products were fixed at not lower than the minimum price on the domestic market for each product, plus 15 percent for marketing changes. At the end of May, however, exports were made subject to variable aforos in order to help traders compete in fluctuating world markets.

Retentions are applied to some exports which move at the 18-peso rate, and they range from 10 to 25 percent of the aforo value. The percentage varies from one commodity to another. These retentions tend to be anti-inflationary because they reduce the proceeds accruing to the exporter through devaluation and also help hold down the domestic price of export products. On occasion retentions have been removed, however, to promote exports of particular items. The proceeds from the retentions are used by the government to pay subsidies and for agricultural development.

Trade and payments agreements and barter or supply agreements are an important means used by Argentina to promote exports. These have been used extensively since 1946, when there was great demand by foreign countries for Argentine foodstuffs and agricultural raw materials and Argentina was in real need of industrial raw materials and manufactured items. By January 1956, Argentina had entered into 29 such agreements.

In the early part of 1956, however, the Provisional Government of Argentina announced its new policy of extending multilateral trade wherever possible, even though bilateral arrangements with certain countries have been continued. As a result of this policy, a multilateral trading system between Argentina and Western Europe went into effect on July 2, 1956. This system allows Argentina to convert balances with one European country in buying from another and generally promotes freer trade within the area. Several new trade and payments agreements have recently been negotiated with neighboring Latin American countries primarily to provide a payment mechanism with these countries and to promote trade. Argentina has had a bilateral agreement with the United States since October 14, 1941.

Internal Market and Price Regulation

Because of the high percentage of some crops exported, the pricing system in Argentina is of considerable importance. Most major export products have a minimum domestic price. The official minimum prices to producers for the 1956-57 grains and oilseeds were raised substantially above any previous level to stimulate production. Prices for meat were also increased. As of March 1957, however, guaranteed prices of livestock were removed with the exception of steers. In the earlier years of IAPI, prices to producers were set low in order to make a profit for the government through export transactions.

In addition to minimum prices to producers the government maintains a price control system applicable to retail prices of basic necessities and many less essential goods, as a check on inflation. The price of flour and beef to consumers was subsidized until recently. These subsidies were financed by funds from retentions on export earnings. In February 1957, government payments to frigorificos (packinghouses) were also removed except for steers. Under new marketing arrangements in May 1957, however, official payments on steers were abolished, but a Compensation Fund was established for use in maintaining the minimum price on steers whether for export or domestic consumption.

The National Grain Board is responsible for maintaining floor prices on grains and enters the domestic market whenever necessary to support prices there. It supervises all transactions on the newly formed futures markets for oats, barley, rye, and linseed, for both export and domestic trade. This agency is expected to remain in operation as long as the government maintains floor prices on certain commodities.

The National Meat Board sets the price of cattle and other livestock on the hoof to the producer and until recently also set the price of meat to the consumer. The National Meat Board also authorizes meat exports.

Indirect Aids

Loans of from 5-10 years are given Argentine farmers for buying land, fencing, pedigree stock, forest plants, and farm machinery. Credits to all segments of the economy, however, are presently restricted because of inflation.

The agricultural research and education carried on in Argentina is in general hampered by lack of personnel and finances, and is not always up to date on developments. In these fields, however, there are some very capable men.

The country had about 28 Federal experimental stations in 1953, engaged primarily in experimenting on the main crops. The General Bureau of Agricultural Research had 238 technically trained men. There has also developed a number of private farm advisers corresponding to the professional farm managers in the United States. In addition, many progressive farmers are searching for improved methods in their own behalf and have developed some highly efficient techniques. They and private commercial companies, too, carry out their own tests on plant breeding and on vaccination of cattle. Argentina's universities carry on research, but are handicapped by lack of resources. There are 7 universities, of which 5 offer courses in agriculture and 3 in veterinary work. Some complementary research is done in the colleges of natural sciences. There are also 14 vocational agricultural schools in Argentina.

The Provisional Government recently obtained loans from abroad to aid agricultural education and extension under the Plan for Economic Recovery. It also uses for this purpose part of the retentions on agricultural exports. A National Institute of Agricultural and Livestock Technology has been established with these funds to promote and coordinate agricultural and livestock research and improvement of rural activity. Rural producers are to get educational, technological, and cultural assistance in order to improve the agriculture of the country. The government's aim is better production methods in Argentina so that its products can improve their competitive position on the international market.

Irrigation is practiced on the oases in the dry areas of western Argentina. Fruit, particularly grapes, and sugarcane are the principal crops raised under irrigation. Recently, the Provisional Government authorized $213 million (18 pesos to US $1) for the construction of waterworks to provide irrigation for about 750,000 acres.

Argentina has accepted very little foreign assistance for its agriculture until recently, when it signed a basic agreement with the United Nations by which Argentina will receive technical assistance from various United Nations agencies including the Food and Agriculture Organization. On May 29, Argentina and the United States signed a general agreement for a program of technical assistance and cooperation. It is the last of the Latin American countries to sign such an agreement with the United States.

BRAZIL

Government policy in Brazil for some years has been directed largely toward encouraging industry, and industrialization has proceeded rapidly. Since 1953, however, a new emphasis has been placed on expanding agriculture, and it takes its place along with industry, transportation, and power as major goals of government policy. With foreign-exchange shortages to be met, the government looks to expanded agricultural output to help restore balance.

Dependence on Trade in Farm Products

In spite of industrialization, Brazil depends on agriculture for the foreign exchange to pay for needed imports. Agricultural products furnish 95 percent of total export value, which reached $1,482 million in 1956. Coffee is by far the principal export, although its relative importance has varied over the past 20 years from less than one-third to almost three-fourths of the total value of exports. Cotton is second in importance, followed by other agricultural and forest items including cacao, brazil nuts, sisal, carnauba wax, oiticica oil, babassu, tapioca, and pine lumber.

For all of these products, with the exception of cotton, the United States is the principal market. Japan is the principal market for cotton. In 1956 the United States took almost half of Brazil's exports. Other important markets were Germany and other Western European countries, Argentina, and Japan.

Brazil is largely self-sufficient in all agricultural products except wheat. In 1956, for example, agricultural imports of $192 million were just under 16 percent of total imports of $1,234 million, a drop from 19 percent in 1955, with wheat making up 57 percent of the total. Other important agricultural imports include barley malt, fruits, powdered milk, wheat flour, oats, and livestock. The United States is the principal source of total imports, and supplies from one-fourth to one-third of that total. Other important suppliers are Argentina, Venezuela, Germany and other Western European countries, and Japan. Argentina is the major source for agricultural items, although in 1956 the United States furnished 37 percent of the wheat, 25 percent of the flour, 41 percent of the powdered milk, and 22 percent of the livestock.

Policy Goals

Brazil's principal goal for agriculture is expanded output, for both export and domestic consumption, and greater investment in agriculture. Higher and more efficient production is desired to feed Brazil's growing population, to pay for necessary imports, to further industrial growth, and to restore sound money and finance. Emphasis has been on improving techniques of production and developing systems of transportation and warehousing. Private investment in agriculture is encouraged by developing a system of agricultural insurance, providing minimum prices for farm products, and setting up a system of rediscounts for instruments of agricultural credit.

Regulation of Foreign Trade

Since 1953 the most effective means of regulating Brazil's foreign trade has been through exchange control, a method used from time to time over the past 25 years. Prior to 1953, however, import and export licensing was the major control mechanism. Regulations were modified from time to time to make the control more or less restrictive of trade depending on the exchange position and the availability of supplies. The changes introduced in October of 1953 through Regulation No. 70 modified the control mechanism drastically, and it has been further modified in many particulars since that time. A new tariff bill just signed by the Brazilian President will modify it still further.

Under the old system imports were divided into five different categories according to essentiality, and minimum exchange agios, or premiums, set for each category. An auction was held for each of the categories, in which importers bid for the available exchange, paying premiums over the official import rate of 18.82 cruzeiros to the dollar. There was a special auction for imports considered essential to agriculture, such as fertilizers and breeding stock. In addition, Brazil has a special arrangement with Argentina whereby compensation dollars are auctioned for the purchase of Argentine fruit.

Breeding stock, hatching eggs, baby chicks, and milk for infant feeding were practically the only items on the United States export list included in the favorable special agricultural import category or Category I. Tobacco leaf, powdered milk for adult consumption, evaporated milk, oats, hops, and garlic were imported under Categories II and III. Other important items, such as deciduous fruit, meat products, dairy products, and livestock feed, were in Categories IV and V, which were virtually excluded from commercial importation.

In addition to the five categories a few imports enjoyed a preferential fixed rate. Newsprint, petroleum, and wheat received such fixed rates. Wheat imports in regular trade were made at 43.82 cruzeiros to the dollar. Under the first P L 480 agreement between the United States and Brazil the exchange rate for wheat imports to be paid for with local currency was set at just over 50 and under the present agreement the rate is 67.0 cruzeiros to the dollar.

Under this arrangement, import tariffs have been relatively unimportant as a trade control. Under the new tariff law, however, import duties are increased materially. The new law also establishes two import categories for exchange control purposes: A general category that will include raw materials, equipment and other production goods, as well as goods of current consumption for which there is not a satisfactory supply in the internal market; and a special category that will include goods of restricted consumption and other goods, the supply of which in the internal market is satisfactory. Imports of wheat, newsprint, fertilizers, insecticides, and similar items for exclusive use in agricultural activities will still receive preferential exchange rates under the new legislation.

The government, through the Bank of Brazil, is the sole importer of wheat. From time to time the government also assumes the role of sole importer of other agricultural products, including lard. It has tried to obtain wheat from nondollar sources, largely Argentina, in past years and now has bilateral agreements with both Argentina and Uruguay that include arrangements for wheat purchases. Recently Brazil has obtained part of its wheat from the United States under P L 480 and currently is purchasing from the United States under a 3-year program that calls for a total of $111 million of wheat and flour.

Bilateral trade and/or payments agreements are in effect with the following countries: Argentina, Bolivia, Chile, Paraguay, Uruguay, and Venezuela; Spain, Finland, Iceland, Yugoslavia, Poland, Portugal, and Czechoslovakia; Israel and Lebanon; and Japan. In 1955 Brazil started veering away from bilateral agreements and entered into an arrangement popularly known as the Hague Club--thus establishing a limited convertibility area with several European countries including Great Britain, Germany, the Netherlands, Belgium, Luxembourg, Austria, France, and Italy. Trade and payments are now divided into dollar area countries, ACL or "Hague Club" countries, and a soft-currency area with which Brazil has bilateral agreements.

Exchange categories have applied to export products also, and changes made in the categories and in the rates from time to time. Exports presently are divided into three groups. Coffee and bananas constituted one group up until early June of this year. The rate was 37.06 cruzeiros to the dollar. A second group consists of cacao beans, cotton, leaf tobacco, hides and skins, certain fibers, and castor seeds, at a rate varying from 41 to 43 cruzeiros. All other exports are in the third category at from 48.03 to 50.06 cruzeiros to the dollar. Changes in the exchange system affecting exports as well as imports may follow the adoption of the new tariff.

The export rates have been in practically all cases less than the import rates or the free market rate. Even though the premium above the official rate is called a bonus and sometimes is referred to as a subsidy, it is regarded by Brazil as a lessening of the self-imposed handicap on exports and not as an incentive or subsidy program. The effective export rates are alleged to represent levels of return sufficient to induce "desirable" levels of export.

In addition to the exchange premiums, minimum export prices have been established for several commodities, including cotton, coffee, and cacao. The cotton and the cacao programs are handled by the Carteira de Comercio Exterior of the Bank of Brazil (CACEX) and the coffee program by the Brazilian Coffee Institute.

In June 1957 a new coffee policy was announced to give coffee growers and exporters a higher income and discourage underinvoicing. The Brazilian Coffee Institute will pay an additional premium in cruzeiros to the exporter, in proportion to the price of each bag of coffee exported. The present exchange rate for coffee of 37.06 cruzeiros is used as the starting point for the increase, which fluctuates according to the quality of coffee exported. For coffee selling for $43.00 per sack (converted at 37.06) a premium of 1 percent is added. The premium increases with quality until coffee selling for $71.00 per sack receives an additional premium of 29 percent of the price converted at 37.06 cruzeiros.

Internal Market and Price Regulation

The Brazilian Government has intensified participation in agricultural production and marketing to encourage increased output in agriculture and livestock production and to stimulate investment in agriculture.

Agricultural price and production policies are not concentrated in any one agency. The Bank of Brazil, the Ministry of Finance, the Federal Price and Supply Commission

(COFAP), the Ministry of Agriculture, the Production Financing Commission, and several other agencies are concerned. In addition Brazil has for some years controlled production and marketing of the principal commodities through commodity defense institutes. The most important of these is for coffee, Brazil's No. 1 crop. Other agencies handle special commodity problems, such as the Wheat Expansion Service of the Ministry of Agriculture.

Support prices for farm products were authorized as early as 1943 for a number of commodities. In 1951 this authority was strengthened to provide for price stabilization and construction of storage facilities to house commodities acquired under the program. The law authorizes purchase of the commodities covered or the financing of the commodities at 80 percent of the fixed prices. Prices are fixed each year and the composition of the list changes from time to time. Commodities on the list for several years include rice, beans, corn, peanuts, soybeans, sunflower, wheat, mandioca flour, tapioca, and mate. Cotton, coffee, and cacao were either brought under price support or returned to price support during the past year and a half.

Although the government as a general policy encourages greater production of all crops, by far the greatest emphasis is given to the expansion of wheat output. Price supports for this crop at levels almost double the cost of imported wheat are made effective through compulsory utilization by mills of the domestic supplies. The subsidy is paid from the Bank of Brazil's Wheat Fund, which in turn is financed by earnings obtained when imported wheat is sold to mills at more than the cost price. To conserve wheat supplies the government requires that 3 percent mandioca flour be mixed with wheat.

As a part of the export price plan for cotton announced in April 1956, the exporters agreed to pay the grower a minimum price. This program was extended to the 1956-57 crop also. The cacao price support for growers is also part of a plan involving fixed prices to exporters. This plan, adopted May 17, 1957, is to be administered by the CACEX, which will purchase cacao beans and byproducts in accordance with a resolution of the Minister of Finance. Effective July 1, 1957, a similar plan for coffee was started. The Bank of Brazil will finance coffee on the basis of 80 percent of the purchase price in ports of export. Whenever it becomes necessary the Brazilian Coffee Institute will purchase coffee from the 1957-58 crop at fixed minimum prices, varying according to grade, and will sell the coffee as it sees fit. Financing for this operation will come from the agio, or exchange premium, account.

A recent development in the government's program to improve agriculture and the food supply situation was the establishment of a commission in late 1956, attached to the executive office of the President, called Counselho do Coordinador de Abastecimiento (Council for the Coordination of Food Supplies). This council has broad powers over food supply and improvement of food and agricultural processing.

Indirect Aids

Agricultural credit, agrarian reform, development of extension services, a crop insurance system, and improved techniques of farming all have received attention from the Federal Government.

Bank credit for agricultural and livestock production is available to farmers from two major sources--the Carteira de Crédito Agricola e Industrial of the Bank of Brazil, and, for cooperatives, the Banco Nacional de Crédito Cooperativo. Interest rates for agricultural loans from these sources are usually 8 percent per year. Credit is also available through various State and private banks. Secondary sources of credit are cash loans and advances of seed, insecticides, fertilizers, and equipment by industrial or exporting firms, and financing by the commodity institutes.

Loans for agriculture increased sharply in 1956, with the greatest increase for wheat, corn, mandioca, coffee, cacao, beans, onions, and livestock.

A National Council for Rural Loans was set up in June 1954 to coordinate all the government agencies furnishing agricultural credit, including the Bank of Brazil. Some of its principal functions are to plan agricultural development, establish criteria for granting credit, fix interest rates, purchase and market agricultural products, and take an agricultural census.

A National Agricultural Insurance Company, incorporated in January 1954, insures farmers against loss from natural causes. It covers cattle, wheat, grapes, coffee, rice, and annual cotton, and may be extended to other crops this coming year.

Technical agricultural advances are being stimulated mainly by an expanding program of agricultural research and a new but growing program for training agricultural extension workers. Several of the States operate research and extension services, and there are several development agencies, particularly the Amazon development board and the Bank of the Northeast, which operate advisory agricultural services. Also there are the agricultural colleges, mostly State-supported, which in some cases have programs for research and extension. The government has imported farm machinery partly financed from proceeds of an Export-Import Bank loan and is extending credit to farmers for its purchase.

Inadequate transportation and storage facilities have seriously impeded agricultural expansion in the past. The government is now tackling these problems by increasing coastwise shipping, improving railroads, undertaking a highway construction program, and making loans available for construction of elevators and warehouses. Economic development loans resulting from the P L 480 sales of agricultural products are tentatively assigned to projects in the above categories.

Supplementing the work of the Brazilian Federal and State agencies are foreign technical assistance programs. They include the International Cooperation Administration of the United States, the Food and Agriculture Organization of the United Nations, the Organization of American States, and private entities such as the Rockefeller corporations. The ICA program is carried on by the Escritorio Técnico de Agricultura (ETA) in cooperation with official and private entities. The projects are predominantly in the field of agricultural extension. Assistance by the United States is largely through technical guidance of agricultural specialists rather than through financial contribution.

CHILE

Chile's present agricultural policy is aimed at greater self-sufficiency in food and fiber. Agricultural production has not kept pace with increased demand, and in the past 15 years Chile has changed its position of near self-sufficiency to that of net importer. In an effort to increase the agricultural share of the gross national product, Chile has initiated an agricultural and transport development program, raised agricultural prices, abandoned the complicated payments system, adopted a reformed exchange rate, and switched from a clearing-account trade system to one of payments in convertible currencies in trade with Germany.

Dependence on Trade in Farm Products

Chile's mineral products, principally copper and nitrate, account for over 80 percent of total exports, which amounted to $544 million during 1956. Agricultural products comprise less than 10 percent of the exports. Chile's imports for the year amounted to $354 million, of which 23 percent was agricultural.

Argentina is a major supplier of Chile's agricultural imports, especially wheat, livestock products, and vegetable oils. In recent years the United States share of agricultural imports has fluctuated from 10 to about 20 percent.

Policy Goals

Implementation of the agricultural and transport development program is the main agricultural policy objective of the Chilean Government. The program includes the expansion of irrigation facilities and conservation of water, building of more farm-to-market roads, increasing research and extension services, expanding agricultural credit facilities, raising farm prices, and liberalizing agricultural trade. Inflation, however, has restricted investment in agriculture and retarded many features of the plan. Trade policies have been directed toward curtailing inflation and have emphasized credit controls, quotas, tariffs, and other restrictions to conserve foreign exchange and, at the same time, insure an adequate food supply.

Regulation of Foreign Trade

Since April 1956, Chile has operated under a modified free exchange system which permits unlicensed private import of commodities authorized by the Ministry of Economy. Imports of all agricultural products are made through private channels with the exception of wheat and meat which are still under government control. Agricultural exports are licensed to insure surrender of exchange and to enforce export quotas. Imports and exports of authorized products move at exchange rates established by the Central Bank.

Advance deposits are required for private imports; these range from 5 percent on the most essential imports, including sugar and tin, to 600 percent on certain products such as automobiles. Although tariffs provide an important source of revenue, high duties and deposits are most important in the protection of Chile's industry and for conserving foreign exchange.

Chile currently maintains trade treaties with Argentina, Bolivia, Brazil, Ecuador, France, Germany, Italy, Spain, and Yugoslavia. These agreements provide reciprocal duty and other trade concessions to facilitate the movement of specified products between countries. In addition, special agreements with Denmark, Egypt, the Netherlands, Portugal, and Yugoslavia permit proceeds from Chile's nitrates to be used to import those countries' products.

Internal Market and Price Regulation

The Instituto Nacional de Comercio has occupied an important position in import supply and regulation of trade in essential food products. It has been responsible for imports and domestic purchases of wheat and meat, the two most important agricultural imports. Under present plans, this organization's functions and personnel may be transferred to other agencies.

Aside from wheat and sunflowerseed, for which minimum price supports are maintained, producers' prices are affected by retail price ceilings specified by the government. Controls apply to most essential food products of wide use. During the past year, the Ministry of Economy has advanced prices the full 25 percent permitted by Chilean law, and during the past few months, new legislation has increased family living allowances for workers and further raised the price of edible oils, sugar, tea, and yerba mate.

Indirect Aids

If the plans embodied in the agricultural and transportation development program initiated in 1954 can be put into operation, Chile hopes to increase production of essential crop and livestock products by 40 percent within the next few years. This plan, however, requires large expenditures for expansion and modernization of production resources for agriculture, and the rapid inflation of the last few years has been so discouraging to such investment that little progress has been made in carrying out the plan. Inflation has also discouraged employment in government projects such as road building, agricultural research, and extension, where wage rates for technicians have not kept up with rising living costs. The Public Works Department has initiated some irrigation projects which will eventually add 200,000 acres of irrigated land as well as increase water available for existing projects. Through cooperation with foreign technical assistance agencies, an expanded program of crop and livestock research is under way as well as a training program in extension in cooperation with Chile's leading universities. Chile's plans to develop new agricultural areas through the operations of the Caja de Colonización (Bank for Reclamation and Resettlement) have been sharply reduced by rising costs and shortages of government funds.

Chilean farmers are heavily dependent upon credit for current production supplies as well as for needed long-range improvements and for machinery and livestock. The shortage of credit and continued inflation have been important impediments to the expansion of agricultural production. Despite anti-inflation measures, prices of farm labor, machinery, fertilizers, and many production requisites have increased sharply.

Increased agricultural prices and measures to liberalize trade are expected to encourage some expansion in agricultural production during the next few years. Further steps toward removal of restrictions to foreign trade may be expected, depending, to some extent, upon the country's ability to finance and develop long-range programs for expanding crop and livestock production.

COLOMBIA

Colombia, primarily an agricultural country, has embarked in recent years on a program of self-sufficiency both in agriculture and industry. This program has produced heavy demands for imports of producer goods, which has in turn created inflationary tendencies and serious balance of payments problems. In an effort to cope with this situation the Colombian Government during 1956 and 1957 passed various trade restriction measures including an extensive list of prohibited imports.

In May 1957 the government was taken over by a five-man Military Junta (Board) and a new cabinet, but it is believed the present regime will undoubtedly carry on many of the policies of the former administration. Due to the wide discrepancy between the official and the free market exchange rates, which increased over several months, there has been considerable smuggling of coffee--the No. 1 export crop--through foreign ports. This brought on a shortage of foreign exchange and was an important factor in the recent adoption of a new uniform exchange system.

Dependence on Trade in Farm Products

Colombia's export trade has always been dominated by products of agricultural origin, and these products, mostly coffee, now make up approximately 87 percent of the total annual value of exports. In 1956, of Colombia's total exchange income of $537 million, coffee accounted for $413 million, or 76.9 percent. As in the past, the United States was Colombia's best customer. Exports to the United States of $383 million was 71.3 percent of all exports in 1956, with coffee accounting for 99 percent of the total.

Colombia's imports of agricultural commodities, mostly cotton, wheat, barley malt, copra, cacao, and wool, represent only about 10 percent of total imports. The United States, in addition to being the largest market for Colombia's exports, is also the largest supplier of Colombian imports. Last year Colombia's imports from the United States of $406 million were 62 percent of Colombia's total imports. United States agricultural exports to Colombia, mostly cotton, barley malt, wheat, vegetable oils, animal fats and oils, and live cattle, were valued at $29.3 million.

In recent years, Colombia's trade with Germany has grown remarkably. In 1956 it was second only to trade with the United States, amounting to approximately 12 percent of the imports and 6 percent of the exports. The United Kingdom was third in total trade in 1956 but its share has declined substantially in recent years.

Policy Goals

Owing to the change in administration in May 1957, many of Colombia's policies are not yet definite. However, Colombia has a long-established policy of providing encouragement to agriculture. The principal instrument has been the provision of credit through the Caja de Crédito Agrario. Price supports are provided for cotton and basic foodstuffs, such as corn, beans, potatoes, rice, and wheat. The government also protects domestic production through the imposition of high tariffs on agricultural commodities. In addition, there is in effect, temporarily, a comprehensive prohibited list of imports which includes most agricultural products.

To help relieve its balance of payments problem the Colombian Government adopted an "austerity program" late in 1956. It contained two major objectives for agriculture: (1) To place the country on more of a self-sufficiency basis and thus reduce the need for imports, and (2) to provide an exportable surplus over and above domestic consumption requirements. This program continues to be emphasized by the present government.

Regulation of Foreign Trade

On June 18, 1957, the Colombian Government put into effect a new foreign exchange reform. This move followed a series of measures taken by the government in 1955 and 1956 to deal with its serious payments problem. More and more importers were required to resort to the free market, in which the exchange rate depreciated from 3.50 pesos per U.S. dollar in early 1955 to more than 7.00 pesos per dollar in early May 1957. In addition, stamp taxes were applied at steeply graduated rates, the list of prohibited imports was greatly expanded, the Exchange Registration Office was closed for extended periods, and, beginning in January 1957, quantitative restrictions were applied by setting ceilings on the amounts that could be imported each month. These measures were inadequate in solving Colombia's balance of payments problem and more drastic steps became imperative.

Prior to June 18, Colombia had two legal exchange rates--the "official rate," in which conversion was made at 2.50 pesos per U.S. dollar, and the "free market rate." This multiple exchange system has been replaced by one in which all trade moves through a "certificate market" at a fluctuating rate of exchange. Certificates are denominated in U.S. dollars or in other currencies acceptable to the Banco de la República. All export proceeds are subject to an exchange tax of 15 percent, which is devoted in the first instance to the servicing of arrearages. All import payments are subject to an exchange tax of 10 percent plus an unspecified tax on all imports to be announced later. All previous exchange taxes and stamp taxes on imports have been abolished. Importers are required to post a 20-percent deposit against all imports.

Quantitative restrictions on imports have been eliminated, although import registration will be continued for statistical purposes and to assure access to the certificate market. The government has also announced a new "prohibited list" of imports, which is even more prohibitive than the extensive list established in late 1956. This list has virtually halted all imports. Under the new Decree a few basic articles of popular consumption, including wheat, semolinas, tallow, vegetable oils, and cotton may be imported by special approval of a new Superintendencia Nacional de Importaciones. Other imports--corn, lard, breeding bulls, cows, poultry, day-old chicks, and a few other items which had been allowed under the old decree--are now prohibited.

Colombia has bilateral trade agreements with Germany, France, Denmark, Finland, East Germany, Czechoslovakia, and Ecuador. All of the agreements have been in effect for several years, with the exception of those with Czechoslovakia and East Germany. The basic feature of the older agreements is, for the most part, a balance of payments arrangement between the countries. Colombia is not a member of GATT.

At the present time there are no barter agreements between Colombia and other countries.

The new administration has not announced any definite program in regard to export subsidies; however, the old regime provided no measures which could be interpreted as a subsidy to crops produced for the export market.

The 15-percent exchange tax is of great significance as a deterrent to agricultural exports, but the requirement that no agricultural commodities may be exported unless the supply exceeds domestic requirements is even more effective. In the livestock industry there has been considerable pressure in the coastal regions to export part of the production, but such requests have been denied because current supplies do not exceed domestic consumption requirements.

Internal Market and Price Regulation

In order to keep the cost of living from rising, controls over rent and the prices of essential commodities including foodstuffs were established many months ago. It was hoped they would serve to keep food prices at levels that most people could afford. The controls have been somewhat effective for rent but they have been quite commonly ignored so far as most food is concerned. The Colombian Government, by supporting prices at a reasonable level in relation to production costs, has been successful in stimulating the production of wheat, cotton, and barley.

Colombia is free from market regulation, such as monopoly purchasing, compulsory deliveries, or mixing regulations. Proposals dealing with these subjects have been made from time to time but no action on them or related ones has been taken. The situation for tobacco, where the Colombiana de Tabaco purchases approximately 98 percent of production, is the nearest thing to monopoly regulation.

Indirect Aids

Agricultural credit supplied through the Caja de Crédito Agrario is one of the means the government uses to encourage agricultural production. Loans are also available for agricultural purposes from commercial banks and private individuals. Interest rates vary widely, ranging from a low of 6 percent for loans processed by the Caja to as high as 60 percent for private loans. Despite the various sources of agricultural credit, amounts available are generally inadequate to serve farm needs, and the shortage is hindering agricultural development. Small farmers especially have difficulty getting their loans approved.

From a tax standpoint the Colombian farmer enjoys a very favorable position; income taxes are not commonly paid by farmers, and land taxes, which amount to two-fifths of 1 percent of the land value, are comparatively low. The farmer is subject to a certain amount of indirect taxation but this cannot be interpreted as a burden to agriculture.

There are no vocational or agricultural grade schools in Colombia; some parochial schools do give the subject relatively minor attention. The three agricultural colleges provide good technical training but little practical experience in agriculture. Extension work is carried on by the Ministry of Agriculture, the State Governments, ICA, and other bodies, such as the Fondo Rotatorio of the Caja de Crédito Agrario and La Federación Nacional de Cafeteros.

The Cauca Valley irrigation, flood control, and power development project, which is called Colombia's TVA, has been given much publicity in recent years but is still in the planning stage. When completed, it will provide a large increase in irrigated land throughout the rich Cauca Valley and furnish other essential services. Of the programs now in progress, the Saldaña River Project is probably the most extensive. The fundamental objective of this project is to expand the cultivation of rice and other irrigated crops. A project in Tumaco is designed to produce bananas and other related crops. In addition there is considerable interest in a colonization program being carried on in the State of Boyacá.

The Colombian Government has the policy of promoting a climate favorable to investments in industry. This policy has not been effective in attracting foreign investment in agriculture. However, foreign aid to agriculture is currently being rendered by ICA, FAO, and the Rockefeller, Kellogg, and Armour Foundations.

The agricultural research activities supported by these foundations and food distributions by CARE and UNICEF are making distinct contributions in their respective fields. The projects in agriculture include cacao culture and production, animal husbandry, extension work, rubber production, farm-to-market roads, water development and use, and forestry.

The investments in agriculture from private sources have been mostly in export crops, such as coffee and bananas. Most foreign investors show little interest in investing in crops produced primarily for the domestic market.

CUBA

Government policy in Cuba is primarily directed toward the furtherance of the island's principal crop, sugar. More recently, it has also been directed toward further diversification of both the industrial and agricultural production of the country as part of a program to establish a more balanced economy.

Dependence on Trade in Farm Products

Practically all of Cuba's exports are agricultural commodities, with sugar in late years usually accounting for about 80 percent of the total, tobacco about 7 percent, and miscellaneous products about 13 percent, of which minerals are playing an increasingly important part. Total exports in 1955 were valued at $594 million.

Cuba uses a large part of its land resources for sugar production and, because of this, must import a wide variety of products to supplement domestic production. Of the total imports in 1955, valued at $575 million, about 23 percent were agricultural. Although numerous farm products are imported, four commodities--rice, lard, pulses, and wheat flour--generally account for almost two-thirds of the total value. In addition, cotton, Temperate Zone fruits and vegetables, canned goods, and processed milk are imported in large quantities. Imports of these latter products have been increasing both in total quantity and on a per capita basis.

Although Cuba has been expanding its sales of products to other countries, the United States continues to be the principal market, taking about 67 percent of total exports in 1955. Maintenance of the United States position as Cuba's major supplier of agricultural products depends, more than anything else, upon Cuba's share of the United States sugar market. The United States now supplies about 85 percent of Cuba's agricultural imports, whereas during 1935-39 it supplied only a little over half. The United States share of Cuba's major farm imports for 1956 was as follows:

	Percent		*Percent*
Rice	100.0	Cotton	[1] 31.6
Lard	100.0	Eggs	100.0
Beans and peas	75.6	Condensed milk	.06
Wheat flour	90.5	Evaporated milk	69.8
Wheat	99.9	Cheese	27.2
Cured pork	99.2		

[1] Year August 1-July 31. Imports from the U.S. were unusually low this year.

Principal competitors of the United States in the Cuban market are Chile and Mexico for beans, Italy for onions, Spain for edible oil, the Netherlands and Canada for condensed milk, Mexico, Peru, and Brazil for cotton, and Canada for wheat.

Policy Goals

The goals of Cuba's agricultural policy are to provide stability for the sugar and tobacco industries; to diversify and increase production of agricultural products imported, thus reducing the necessity to import; to increase employment and wages; and to improve the standard of living.

Regulation of Foreign Trade

Cuba's customs tariff operates as a source of revenue and as a protection for domestic industry. In addition to the tariff duties as such, Cuba imposes certain customs surtaxes, consular fees, and sales taxes on imports. Some of these charges are applied equally to imports from all countries; others are reduced for countries having most-favored-nation agreements with Cuba. Where different rates apply, the United States receives the lowest rate. Cuba is now in the process of revising its tariffs.

When the importation of a certain commodity tends to interfere with local production in Cuba, protective measures are requested and generally acceded to in varying degrees by the government. These protective measures usually take the form of nontariff restrictions. For example, Cuba uses the following controls: (1) Required retention of 20 percent of all dairy products imported as a reserve--as of May 6, 1957, the reserve requirement for evaporated milk was reduced to 10 percent; (2) import permits required for rice, wheat, wheatflour, and canned milk, cheese, and other dairy products; (3) registration of contracts required for rice, red beans, wheat, wheat flour, and dairy products; and (4) prohibition on the import of white seed potatoes.

Probably the most severe restrictions on imports are quota limitations and the requirement for individual import licenses on certain commodities. Rice importers must obtain permits each quarter for a portion of the total basic quota. Import quotas are also issued to licensed importers of wheat and wheat flour to control the entry of wheat assigned to Cuba under the International Wheat Agreement. During the wheat year ending July 31, 1957, increased demand for flour in Cuba resulted in authorization of import permits in excess of the International Wheat Agreement quota. Certain other farm commodities have no quotas, but it is necessary to obtain a permit for each shipment. These are usually commodities for which domestic production is generally adequate for consumption but for which occasional shortages develop. Butter and feed grains are the two most important products in this category.

To assure that domestic supplies of agricultural commodities are adequate, exports of such commodities are controlled by (1) requiring exporters to register and apply for export permits annually, and (2) by allocating quantities for export or for domestic use when production exceeds local requirements.

Cuba has not found it necessary to exercise exchange controls as have so many other Latin American countries. The Cuban peso is on a par with the U.S. dollar and is freely convertible. However, there is a 2-percent tax on dollars remitted abroad.

Cuba is a member of GATT. That agreement replaced the bilateral-reciprocal trade agreement that had been the basis for trade relations between Cuba and the United States since 1934. GATT abolished the guaranteed preferences accorded by the two countries on each other's goods since the treaty of commercial reciprocity of 1902. GATT does, however, contain many negotiated preferences between the two countries. Under the agreement and subsequent modifications, United States tariff duties were reduced on sugar, molasses, tobacco, and other Cuban export products; Cuban duties were reduced on wheat flour and fresh and canned vegetables, among others, and the duty on lard was guaranteed against increase. It was further agreed that Cuba would permit a low duty on a minimum tariff quota of 330 million pounds of milled rice and also provided for a supplemental deficit quota at low-duty rates, if required.

In addition to being a member of GATT, Cuba has bilateral commercial agreements with Italy, Spain, Chile, and Argentina. More recently, Cuba has entered into trade or payments agreements with the United Kingdom, Germany, Iceland, Austria, and Switzerland. Generally, the concessions under these agreements involve duty reductions, methods of payment, and minimum quotas on Cuban exports of sugar, tobacco, and other agricultural products balanced against import concessions on manufactured products.

Internal Market and Price Regulation

The Cuban Government works to stabilize the sugar industry by protecting prices and income and by maintaining the country's place in the export market. Near the beginning of each grinding season, the government announces the probable size of the crop and distributes production quotas among the sugar mills and cane growers; it also makes allocation to the various export quotas.

It aids the tobacco industry through the Tobacco Stabilization Fund and the Committee on Production. The fund executes price stabilization policies, enters into the marketing activities for tobacco, and through its Committee on Production enforces crop restriction.

The Cuban Coffee Stabilization Institute periodically sets prices for producers, roasters, and retailers of coffee and determines export and import policy. In 1955 the government established the Rice Stabilization Administration, which recommends low-duty import quotas, determines minimum prices, and engages in support price operations. In addition the Corn Stabilization Administration acts as agent for the government to purchase surplus production of corn. In order to avoid overproduction of potatoes and assure reasonable returns to producers, imports of seed and table potatoes are restricted, and plantings are limited to certain types. A low duty on imports of table potatoes is in effect from August 1 to October 31 each year.

There are guaranteed minimum prices to producers for most commodities destined for local consumption. Also, the government maintains retail price controls on certain basic foodstuffs, such as milk, domestic black beans, and chickpeas.

Indirect Aids

Both long and short-term credit to agricultural producers is provided by the Bank for Agricultural and Industrial Development, established by the government in 1950.

Short-term loans are made by the bank for cultivating and harvesting crops and purchasing breeding cattle, forage seeds, and chemicals, as well as for the purchase, processing, and storage of agricultural products.

Long-term loans are made to producers for permanent plantings, buildings, irrigation projects and land reclamation, purchase of breeding stock, equipment, and real property. They may also get this type of loan to refinance debts incurred for such purposes. There are 12 cooperative rural credit associations in Cuba. These are being actively promoted by the bank. They are authorized to provide long and short-term credit to farmers at reasonable rates and to market the farm crops which farmer-borrowers turn over to them for sale. It is estimated that, during the last 3 years, about 300,000 acres have been brought under irrigation. Crops on the newly irrigated land are confined almost exclusively to rice, tomatoes, cucumbers, and potatoes.

Other aids to agriculture include construction and improvement of farm-to-market roads, construction of refrigerated warehouses for storage of agricultural commodities in all six Provinces, rural education, research and extension. The University of Havana provides some training in its School of Agronomic Engineering and Sugar and the School of Sugar Chemistry at Cienfuegos is outstanding. The University of Oriente at Santiago de Cuba also offers courses in sugar chemistry and the new University of Santa Clara is to concentrate on agricultural and livestock courses. There are six Provincial agricultural schools in Cuba, where enrollment is small and funds and equipment are limited.

In 1951 an agreement for technical cooperation was signed between the United States and Cuba providing an interchange of technical knowledge and skills. Work is now being carried out in pasture improvement; coffee, cacao, and banana production; and crop rotation, with the active cooperation of universities and public and private cooperators.

It is too early to measure the full effect of this technical assistance on Cuban agriculture, but coffee production has increased sharply, and the placement of United States produce inspectors in Cuba has resulted in a very definite improvement in the quality of fruits and vegetables exported to the United States.

In addition, Cuba is a member of several international organizations that are trying to improve agricultural conditions throughout the hemisphere and the world. It takes an active part in the programs of these organizations.

GUATEMALA

The Government of Guatemala, through its 5-year economic development plan, is giving attention to increasing agricultural production. Its aim is to attain or maintain self-sufficiency in foods at higher consumption levels and to increase export crops, notably coffee and cotton. It is also encouraging foreign investments for both agricultural and nonagricultural purposes.

Dependence on Trade in Farm Products

Agriculture is Guatemala's most important economic activity, and accounts for 90-95 percent of total exports. In 1956 exports totaled $116 million f. o. b. Coffee and bananas alone make up more than 80 percent of this figure. Other agricultural exports are cotton, abaca, essential oils, chicle, cacao, and small amounts of fruits and vegetables. Agricultural products are less important in the import trade, accounting for 11 percent of the $122 million in imports in 1956. Wheat and wheat flour are the largest imports of agricultural origin. Some other agricultural imports are live animals, leaf tobacco, lard, tallow, and dairy products.

The United States is the best market for Guatemalan export commodities as well as the principal supplier of goods for import. In 1954 the United States took 78 percent of the coffee, 53 percent of the bananas, all of the abaca, 78 percent of the essential oils, and 93 percent of the chicle exported by Guatemala. The United States in 1954 supplied 69 percent of the wheat flour, 87 percent of the lard, practically all of the leaf tobacco, industrial tallow, and wheat, and 65 percent of the dried milk imported by Guatemala.

Policy Goals

Long-range development goals for agriculture are set forth in the government's 5-year plan for economic development. Some of the main objectives are (1) liberalization of trade wherever possible without adversely affecting agriculture or industry, (2) protection of domestic producers, including farmers, when production is not equal to normal consumption, (3) return to private enterprise of the processing and marketing services formerly performed by government agencies, (4) lowering tariffs on some import items to reduce the cost of living, (5) adoption of programs to encourage the expansion of agricultural output, and (6) increased productivity and improved living conditions, especially in the Indian communities where their integration into the national economy is being encouraged. The last two administrations have promoted extensive programs for agrarian reform.

Regulation of Foreign Trade

Import duties and related charges are the principal sources of revenue. Export duties on coffee and bananas are also imposed almost entirely for revenue.

Import duties on agricultural commodities are moderately high, and additional duties and fees levied on imports average 10-15 percent of the f. o. b. value. There have been no important changes in import duties affecting United States exports of agricultural commodities since the increase in duty on certain fats and oils items effective February 1956. Preferential duties are not applicable to imports from the United States, as the reciprocal United States-Guatemalan trade agreement was terminated in October 1955. No exchange restrictions are imposed.

The Minister of Economy, in effect, has the authority to control agricultural imports through the issuance of import permits. He also is empowered to control the export of agricultural products.

Restrictions are occasionally placed upon the imports of specified commodities, such as the ban on butter imports during January-June 1957. A few commodities--certain textiles, wheat, and flour--are subject to so-called tie-in requirements under which importers must purchase similar domestic products in a fixed proportion to imports. The proportion of domestic wheat required for each unit imported was reduced from 50 to 25 percent, effective March 21, 1957. The requirement that 50 percent as much flour must be purchased domestically as is imported remains in effect. In addition, the Minister of Economy sets flour import quotas each 2 months. There are no export subsidies.

Guatemala is not a member of GATT. Simple most-favored-nation agreements have been signed with Switzerland, France, and Spain. Recently completed agreements with Costa Rica and Honduras provide for free trade in a number of commodities, produced or manufactured in either country. A similar agreement has been in force with El Salvador for some years. Guatemala prohibits trade with the USSR and several East European countries.

Internal Market and Price Regulation

Fixed support prices are the exception rather than the rule in Guatemala. There is, however, a guaranteed price of $3.55 per bushel for wheat and $1.93 per bushel for corn. Sugar mills are permitted to charge no more than $7.50 per quintal for sugar, the retail price of which cannot exceed $8.00 per quintal. In general there are few regulations to hinder the internal marketing of agricultural products. There are no direct government subsidies or regulations that impede production. However, licenses are required to plant cotton.

Indirect Aids

Efforts are being made to improve the agricultural credit facilities in Guatemala. At present, interest rates are high, averaging around 8 percent, and a large number of farmers cannot meet the requirements for loans. The government is endeavoring to improve this situation and has several banks operating in the field of agricultural credit.

Extension work, financed by the government and ICA, is expanding. The present extension program has offices serving 23 rural areas. National extension courses in 1955, 1956, and 1957 provided intensive training and preparation for agricultural extension agents.

Exploratory work is now being done in the field of irrigation as part of the rural development program. The present program provides for drilling and equipping 20 irrigation wells and the rehabilitation of 2 surface gravity irrigation systems in a dry portion of the country.

A new Agrarian Law, enacted in February 1956, provides land for the peasants and assistance in housing, health and hygiene, basic agricultural education and social security, and technical and financial aid. Sources of land for the rural development and colonization programs are specified as undeveloped government lands, national farms, gifts by or purchases from private owners, purchase and expropriation of idle lands. Expropriation would be based on compensation for fair value. A tax, varying according to the class of land involved, penalizes failure to cultivate arable lands. Real ownership by the peasant and arrangements to assist him in farming and in improving his manner of living are appealing features of the new law.

In addition to around $15 million for development assistance work, ICA operated at a level of $2.4 million in fiscal year 1957 for technical cooperation activities. Under SCIDA, a cooperative Guatemalan-United States agricultural research agency, the quantity and quality of crop and livestock production are being improved.

MEXICO

There is an increasing tendency in Mexico toward nationalism and economic development, accompanied by more and more stringent government controls. These controls aim at expanding output of both industrial and agricultural commodities and the highest possible degree of processing of raw materials before they are exported. Previous administrations placed greatest emphasis on industrial development; but recently agriculture has been stressed also, and self-sufficiency in production of basic foods is a primary goal.

Dependence on Trade in Farm Products

Agriculture is the basic industry in Mexico and accounts for more than half the total value of exports. This proportion increased from just under 50 percent in 1950 to 57.9 in 1955, but declined to 54.7 in 1956. On the import side, agricultural products are far less important and their share of total imports has been declining. In 1950, agricultural imports represented 15.4 percent of the total, but in 1955, following a good crop year, the percentage dropped to 10.7, then rose to 11.3 in 1956. The favorable balance in agricultural trade helps to offset the deficit in the trade in other commodities.

In 1956 Mexico exported agricultural goods valued at $361 million and imported goods valued at $110 million.[4] Cotton and coffee have the first two places in Mexico's total exports as well as in agricultural exports.

Although a decline has occurred since 1950 in the position of the United States in Mexico's total foreign trade, this country still is the principal supplier of Mexico's imports and the principal purchaser of its exports. The United States supplied 78.3 percent of all imports in 1956 and purchased 56.1 percent of all exports;[5] it furnished about 80 percent of the agricultural imports, the percentage nearing 100 for many commodities. The only items imported from other countries to the extent of more than 25 percent during 1956 were dairy cattle, cheese, dried eggs, wool, olive oil, dried figs, unspecified seeds, and bulbs. The Netherlands, Denmark, Switzerland, Italy, and Argentina supplied most of the cheese; the Netherlands shipped part of the dried eggs and the bulbs; and Denmark was the principal source of the unspecified seeds, including seed potatoes.

The United States is the market for almost all the cattle, henequen fiber, cacao, winter vegetables, fresh fruits (except oranges), molasses, vanilla, and chicle; and for almost 90 percent of the coffee. The principal market for cotton is Japan.

Policy Goals

The agricultural policy goals in Mexico include attainment of self-sufficiency in basic food production, provision of food and necessities of life to consumers at reasonable prices, continuation of the constitutional land reform, protection of domestic industry, protection of the foreign exchange situation, provision of expanded irrigation facilities, and the highest possible degree of processing of raw materials before they are exported.

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[4]No adjustment has been made for free zone imports or for undervaluation of exports.

[5]Actual exports to the United States are lower than shown in Mexican statistics, since cotton moved to the United States for transshipment appears as exported to the United States.

Regulation of Foreign Trade

In general, the government seeks to restrict imports through high duties and a strict licensing system, and to encourage exports through reduction in export taxes, extension of credit, and barter arrangements.

The country has a single-column tariff made up of a combination of specific and ad valorem rates. The ad valorem part of the duty is based on the invoice value or on an official value, whichever is higher. This official price is subject to change by the Ministry of Finance in response to changes in market price. Import duties are high on most products, in some cases prohibitively so.

Mexico has no exchange control, and the peso is freely convertible. When reserves have declined to the point where the rate has become untenable, the government has devalued the currency. Two such devaluations have occurred in the past 8 years--one in July 1948, when the rate of 4.85 pesos to the dollar was abandoned (later stabilized, in 1949, at 8.65 pesos to the dollar); the second in April 1954, when the currency was devalued to 12.50 pesos to the dollar, the present rate.

Imports of a long list of agricultural products are subject to permit from the Ministry of Economy. Among the important commodities in this list are powdered milk, wheat, fresh fruits, hides and skins, wool, and most fats and oils. Additional controls were imposed in early 1957, including a temporary embargo on imports of tallow announced in March, and a requirement that imports of baby chicks be subject to permit from the Ministry of Agriculture. The Ministries of Agriculture, Economy, and Finance are studying the situation with respect to inedible fats. In view of the short supplies of tallow they may authorize additional imports of tallow during the remainder of 1957. Beginning May 1, 1957, all imports of baby chicks are subject to a permit from the Office of Animal Sanitation of the Ministry of Agriculture. That office thus far has granted permits for chicks from hatcheries listed by the National Poultry Improvement Plan of the United States as U. S. Pullorum-Typhoid Clean but has denied them to firms listed as U. S. Pullorum-Typhoid Passed.

Imports of certain basic food commodities are handled exclusively through the Government agency, Compañía Exportadora e Importadora Mexicana, S. A. (CEIMSA), and are exempt from the payment of duties. Commodities handled by this agency have included corn, wheat, beans, nonfat dry milk solids, lard, and fresh eggs. Imports are made only when requirements cannot be met from domestic production. Although CEIMSA continues to purchase most of the corn imports, some quantities of corn have been authorized recently to private industrial users.

Exports are also subject to duty and to control to regulate supplies and prices within the country, as well as to encourage exports. Commodities subject to export permit from the Ministry of Economy include cattle, sheep, meat, eggs, hides and skins, wool, beans, potatoes, rice, oats, barley, corn, cacao, coffee, oilseed cakes and meals, unginned cotton, fibers, oilseeds, sugar, molasses, vegetable oils, and animal fats.

The Ministry of Economy, after consulting the Ministry of Agriculture, determines the country's consumption requirements of these commodities and decides on the quantity for which export permits will be granted. In the case of both export and import permits a number of committees have been established with industry, trade, labor, and government participation to study supplies and prices and make recommendations to the licensing authorities.

The government has a system of compensatory exchanges to encourage the exportation of a number of products, principally cotton. Under this system the granting of import permits for a list of commodities is subject to the exportation of an equal value of commodities the government wishes to export. The Banco Nacional de Comercio Exterior is the agency responsible for this operation. During 1956 more than 700 compensatory exchange agreements were signed totaling $71 million, although shipments were not completed under these agreements in 1956. Of this, 89 percent represented imports to be compensated by exports of cotton; the remaining 11 percent, imports to be compensated by exports of canned pineapple, chickpeas, cotton textiles, and industrial products. The only agricultural import reported as included under the system in 1956 was a small amount of lard.

In an effort to aid coffee exporters the Ministry of Finance reduced the official valuation on which the coffee export tax is based effective April 25, 1957. Also, during 1956 and early 1957 the Ministry of Finance reduced the export valuation on several other agricultural products, among them cacao, strawberries, and tomatoes. The ad valorem export duty was reduced on certain commodities including melons, watermelons, vanilla, banana meal, dried bananas, roasted coffee, and coffee extract.

Mexico is not a member of GATT and has not had a bilateral trade agreement with the United States since 1951. It is a member of two international commodity agreements, one for wheat and one for sugar. Bilateral agreements are in effect with several countries, especially soft currency areas and for products for which the export market is depressed.

Internal Market and Price Regulation

The government has had guaranteed prices to farmers for certain crops from time to time since 1938 in an effort to achieve agricultural self-sufficiency. At the present time CEIMSA is charged with this function. It is authorized to buy and sell in the local market, import and export, transport and store, and pay subsidies on agricultural products. It also operates about 300 retail stores to help maintain retail ceiling prices on basic foods.

CEIMSA currently supports the farm price of wheat, corn, and beans. In the case of wheat the agency is purchasing this year the entire production in the States of Sonora and Sinaloa, representing about half of the total production of the country, at a price equivalent to $1.99 per bushel. Guarantee prices for the 1956 corn crop were raised in January 1957 and now range, by States, from $1.14 to $1.38 per bushel. The guarantee price for the 1956 bean crop continues at $0.04 per lb. The price for the 1957 crop has not been announced. In March 1957 CEIMSA also started to guarantee the price for fresh eggs at about 46 cents per dozen, and agrees to purchase any quantity of eggs offered at that price.

Indirect Aids

Other measures that have been helpful in expanding output of agricultural items and influencing trade are the improved seed program of the Office of Special Studies of the Mexican Ministry of Agriculture, improved credit facilities, increased mechanization and use of fertilizer, the establishment of an extension service, provision of crop insurance, the irrigation program of the Ministry of Hydraulic Resources, and the land distribution program that started in 1915.

Following the Revolution of 1910 one of the first of the new government's policies was to provide more land for the peasants. This took the form of land redistribution to ejidos, or village organizations. The program is still under way, although moving at a much slower pace than formerly. From the start of the program to the middle of 1955 a total of 92 million acres of land was distributed.

Irrigation has long been practiced in Mexico, but in 1926 a National Irrigation Commission was established and it gave added impetus to development of new facilities. The program, now under the Ministry of Hydraulic Resources, has benefited a total area of 5.9 million hectares. In 1926 the government also attacked the problem of agricultural credit by establishing an agricultural credit bank, and later on by setting up a national bank of ejidal credit. These two banks have granted credit to farmers over the years, and now the National Bank for Foreign Commerce also extends credit for farm operations. Local credit unions also play an important part in providing credit in some regions, and United States companies that purchase cotton and winter vegetables advance credit to producers of these products.

The extension service, started about 4 years ago, operates in every State, but it has only 230 agronomists and is unable to cover all the agricultural districts. It is assisted by the Ejido Agricultural Promotion Service of the Ministry of Agriculture. A total of 170 farm youth clubs work with young farmers and work has started in the improvement of rural homes. Technical assistance to farmers is given also by the national commissions set up for coffee, corn, and sugarcane, as well as by the National Union of Sugar Producers and the Bureau of Soil Conservation.

The crop insurance system, strengthened in May 1955 to insure against all risks, now insures 19 crops and since the beginning of 1957 includes imported cattle, both dairy and beef breeds. In 1958 it is planned to include native cattle and to increase the number of crops covered. The system now comprises all States except for Yucatán, Campeche, and the territory of Quintana Roo.

One of the principal aids to agricultural expansion is the work of the Office of Special Studies of the Ministry of Agriculture. In cooperation with the Rockefeller Foundation, it has set up four main stations in Mexico to develop and test varieties of crops and livestock suited to the different areas of the country. The new techniques and varieties are being demonstrated on individual farms in cooperation with the extension service. Although most of the work so far has been with crop production, a start has been made in promoting improved livestock production. Most of the wheat output is now from improved varieties, and yields are increasing significantly. Only about 15 percent of the corn acreage is planted with the new seed, but notable success has been achieved in developing varieties suited to different corn-growing areas.

The Ministry of Agriculture is also carrying out a program for the improvement of the livestock industry consisting principally of establishment of artificial insemination and livestock breeding centers, pasture improvement, and importation of breeding stock. The program covers cattle, hogs, and poultry. In addition to the Ministry's poultry work, the National Bank of Foreign Trade extends credit to commercial egg producers for buildings and for the purchase of equipment, feed, and stock; and is assisting the introduction of egg production in rural areas to increase income levels.

Largely as a result of government efforts the rate of increase in agricultural production during the past 6 years exceeded that of the gross national product as well as the rate of population growth. Since 1950 the rate of increase in agricultural production has averaged 7 percent per year.

PERU

Peru is a strong advocate of liberalizing trade and business enterprise. It is essentially a tropical agricultural country, with about 65 percent of the population dependent on crops and livestock for their livelihood. The principal commercial crops are cotton and sugarcane, which are grown under irrigation. Peru's agricultural policy in recent years has been highlighted by a 6-year program to stimulate food production.

Dependence on Trade in Farm Products

Agriculture is the primary basis of the Peruvian economy; products of agricultural origin normally constitute more than 50 percent of the annual exports. The principal agricultural commodities are cotton (27 percent of total exports), sugar (11 percent), coffee (3 percent), and alpaca hair (2 percent). The bulk of Peru's nonagricultural exports consist of mineral products, such as lead, copper, zinc, iron ore, and petroleum.

The United States is Peru's principal trading partner, supplying more than 50 percent of total Peruvian imports and purchasing about 36 percent of Peru's total exports. In 1956 Peru's total imports from the United States amounted to $179 million, of which 9 percent, or $16.4 million, was agricultural products, mostly grains, fats and oils, and dairy products. During the same year Peruvian exports to the United States were $115 million, with 18 percent, or $20.6 million, in agricultural goods. The main agricultural items shipped to the United States were wool, coffee, sugar, cotton (extra long staple), and hides and skins.

Although the United States is the leading trader with Peru, trade with Europe, Latin America, and Asia is important and growing increasingly so. In 1956 Peru purchased nearly $27 million of its imports from Germany. Germany ranks next to the United States as a supplier of Peruvian imports, while England, whose trade is almost as great, is third. From the export sector, England serves as Peru's second largest market, and is an important purchaser of Peruvian cotton.

Peru suffered a serious balance-of-payments problem in 1955, but gains in export earnings, increasing long-term capital inflow, and substantial amounts of foreign credit granted by the United States for project purposes have greatly improved the situation.

Policy Goals

The present regime, which came into power in July 1956, has instituted many new policies, but has also continued to carry out many of the policies of the past administration which centered largely around a 6-year plan to increase food production and attain national sufficiency in the production of wheat, rice, and livestock products. However, owing to limited funds, this plan was only moderately successful. The previous regime also conducted a policy of generally free trade relative to agricultural imports; it also extended broad controls over domestically produced food supplies and prices, encouraged a program of increased credit to small and medium-size producers, promoted an ambitious program of irrigation projects and internal transportation, and fostered colonization.

Agricultural policy under the present regime has been one of still greater freedom of trade. More attention is being given to improvements in marketing facilities and practices, in the hope of reducing the middlemen's margin. The Minister of Agriculture has expressed a belief that the gradual removal of price controls on foodstuffs will provide an incentive to higher production and lend greater stability to food supplies and prices. The new administration has announced a broad program aimed at improving living standards among low-income groups, including a program of agrarian reform and the solution of other problems relating to land tenure. Its program of rural land tenure reform, while largely ineffective to date, has been important, not only in openly recognizing these problems, but in establishing a capable nongovernment commission to study and deal with these matters.

Regulation of Foreign Trade

Since World War II Peru has taken a rather bold step in abolishing a complicated system of exchange controls, quantitative restrictions, and bilateral agreements, and embarking on a free-exchange and liberal trade policy. The first step was the passage in November 1949 of a law freeing the exchange rate for Peruvian currency. The free market rate of exchange still operates and the foreign exchange value of the sol (19:00 soles to $1) is stable.

In Peru the major responsibility for regulations governing foreign trade lies with the Ministry of Finance and Commerce. Policies with respect to foodstuffs and agricultural products are generally determined by the Ministry of Agriculture through its Office of Food Supplies. This agency has the responsibility for programs to assure adequate domestic supplies, including actions on imports, and the control of exports of foodstuffs. Actual licensing, however, is done by the Ministry of Finance and Commerce.

As a source of revenue, Peru imposes ad valorem taxes on imports as well as taxes on exports of all commodities. The import ad valorem tax ranges from 7-1/2 to 23-2/3 percent of the c.i.f. value, but certain food products and breeding stock are exempt. Import licenses are not generally required except for Czechoslovakia, the only Communist country with which trade is permitted.

In recent months Peru has authorized an ad valorem customs surtax up to 20 percent on the f.o.b. price classifications covering imported textile products (such as cotton, woolens, burlap) and on canned fruits.

Peru, basically an importing country for a number of foodstuffs and an advocate of low tariffs and liberal trade policy, has no quantitative restrictions on imports of agricultural products. An exception is a tie-in regulation which requires that wheat byproducts be imported at a ratio of 25 percent of the quantity of wheat flour imported. This, however, is applicable only to the main coastal markets.

Peru has been a member of GATT since 1951. For most items in the Peruvian tariff, Peru applies the same general rates of duties without distinction among nations. There is one exception to this rule: Under a bilateral agreement between Chile and Peru, signed in 1941, Peru accords preferential rates on a number of items of particular interest to Chile.

There is only one program in Peru in which export crops are subsidized; namely, one sponsored by SCIPA (joint United States-Peruvian agricultural service) to encourage the production of castor beans and certain other minor subtropical products. Reports indicate that this program has been very successful. The Agricultural Bank (Banco de Fomento Agropecuario) gives some assistance to coffee producers.

Internal Market and Price Regulation

Peru has controlled prices on certain basic food items. Such measures are deemed necessary to make food supplies available at prices which most Peruvians can afford to pay. It is primarily the responsibility of the Ministry of Agriculture to administer these policies. The new government has announced its intention of gradually removing price controls, on the theory that such controls tend to stimulate black market operations. So far, however, controls have been removed only on top grades of meat. The list of present price controlled food items include only locally produced meats (except the top grades), wheat and flour, rice, fresh milk, cottonseed oil, coffee, sugar, dry beans, and both locally produced and imported tobacco products. There are no controls on imported foods. There is also no program to support prices, although local prices are generally fixed at such moderate levels that they for the most part operate as minimums but may in some cases establish maximum levels.

In its program to free internal trade and prices of agricultural products, the administration has removed limited local licensing and marketing controls. Local marketing margins are already comparatively low. It is licensing new meat packing establishments and processing plants, in competition with the old state-controlled Frigorífico Nacional, whose monopoly is now abolished. The Tobacco Monopoly which reigned for many years has also been abolished, but it continues to operate about as usual. In addition to this the Peruvian Government has virtually complete control over the marketing of rice, and also, in cooperation with industry-wide associations, over coffee, sugar, edible oil, cottonseed cake, cacao, and guano.

Indirect Aids

Since the inauguration of the present regime, the policy of increasing loans to small farmers has been given real impetus through a program of supervised credit carried out mainly by SCIPA and CREAS[6] under the direction of the Southern Peru Economic Development Commission. Loans have been advanced to 1,800 farmers, totaling about US $65,800 from funds provided by the Ministry of Finance and Commerce and from the proceeds of Title I, P L 480 sales. This program has been so successful that several thousand credit applications for the coming (1957-58) season have already been filed.

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[6] An office of the new Cusco Civic Corporation.

In the field of taxes high export taxes are levied on most of the major agricultural items in Peru's export trade. There are virtually no known taxes aimed solely at aiding agriculture. One possible exception is a negligible tax (about US 2-1/2 cents per 100 pounds) on wool exported through Mollendo for the support of a demonstration farm in Puno.

Peru's agricultural extension program, which for years has been directed and operated by well-trained Peruvian technicians, has been an effective tool for disseminating the results of agricultural research and for collecting crop, livestock, and market information. It is proving increasingly effective in food production generally and is making progress in directing production to those products most suitable to the area.

Peru's program of education in agriculture has advanced in organization efficiency and morale during the last few years. Peru's three main organizations in agricultural education are the National College of Agriculture (Escuela Nacional de Agricultura) at La Molina, a number of secondary schools of applied agriculture under the general supervision of the Ministry of Agriculture, and a system of primary education in agriculture under the Ministry of Education. The last is under the guidance of the Peruvian-American educational service with a unit in agriculture. It is believed that enlightened policies are tending to be followed which should increase both the productivity of the average Peruvian farmer and serve as a basis for increasing international trade.

Peru's coastal population is entirely dependent upon irrigation for its livelihood. Public and private irrigation projects, now under construction in this area, should add at least 500,000 acres to the existing 1.2 million acres now being cultivated, within the next 5 years.

Colonization in Peru has been largely in the settlement and development of the highlands and the tropical rain forest areas in the east. The irrigated agricultural areas on the coast, and the accessible areas in the Andes, with minor exceptions, are already overpopulated.

Foreign private investments in Peru's agricultural properties and enterprises amount to over $15 million. Most of this capital was supplied by the United States and invested in sugar plantations and refineries, cattle ranches, and such agricultural activities as financing of cotton crops, cotton ginning and exporting, logging activities, and exporting of lumber.

British, Italian, and other foreign investments in agriculture, representing $3 million altogether, include advances to Peruvian planters and investments in cotton lands and other agricultural enterprises.

A technical assistance program in Peru is sponsored by SCIPA, which, in addition to its many other activities, has undertaken an area-development program in the drought-stricken southern part of the country. United States technical assistance to Peru has expanded from $1.7 million in U.S. fiscal year 1953 to $3 million in 1957.

VENEZUELA

Venezuela's overall policy is directed toward self-sufficiency and diversification of the economy to reduce the country's dependence on its petroleum industry. To carry out its policy the government affords extensive support to both new and well-established production enterprises. The constantly increasing government expenditures for construction and other projects, as well as expenditures of the petroleum industry, furnish impetus to record levels of commerce and industry and maintain a high level of prosperity in the country.

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Dependence on Trade in Farm Products

Total imports of all commodities into Venezuela in 1956 were valued at $1,032 million. About a fourth of these were items that could be classified as agricultural. Total imports from the United States in 1956 were valued at over $600 million and for all agricultural products including wood and textiles, imports from the United States were valued at close to $120 million.

Venezuela is the second largest United States market for agricultural products in Latin America, one of the best on a per capita basis, and all sales are for dollars. In 1956, Venezuela took over 77 percent of all of United States dried whole milk exports, 43 percent of the shell egg exports, 12 percent of the wheat flour, and 33 percent of the oatmeal.

Largest competitors of the United States for the Venezuelan market for agricultural products are Canada (malted barley, wheat flour, eggs, milk, and oat products), the Netherlands (preserved milk and cheese), Great Britain (malted barley and canned food), and Mexico (beans).

Exports of agricultural products from Venezuela comprise a small share of the total. The only farm exports of any size are coffee and cacao, and the United States is Venezuela's best market for both. The principal trade item of Venezuela is petroleum and its derivatives, which account for over 90 percent of total exports. Iron ore is also becoming important in trade.

Policy Goals

Venezuelan agricultural policy is aimed at making the country self-sufficient in all crop and livestock products that can be produced in the country. Coupled with this policy is one to encourage the processing within the country of all agricultural products consumed in substantial quantities.

Regulation of Foreign Trade

Venezuelan commercial policy is designed to carry out its overall policy of national self-sufficiency and diversification of the economy. To do this it maintains high import tariffs on products similar to those domestically produced; requires import licenses for certain commodities; maintains import quotas on a number of agricultural products, which are partly supplied by local production; prohibits the import of a few products; and in some cases, requires the purchase of specified amounts of local products for each part imported as a prerequisite to duty-free importation.

The only export subsidy is the exchange differential that applies to coffee and cacao. Exporters of coffee and cacao are given a premium on exchange presented to the Central Bank when world prices are at the same level or below a stated value. At the present price of coffee there is no exchange differential, but one is paid on cacao sales.

Most of Venezuela's foreign trade is in private hands, although as an aid to farmers the government has imported such items as seed potatoes and pesticides which are resold at cost. It also has engaged in semibarter arrangements to facilitate disposal of surplus commodities. Currently, Venezuela has trade agreements only with the United States, Brazil, and Canada. The agreement with the United States became effective in 1939 and was supplemented and amended by an agreement signed August 28, 1952.

Venezuela does not have exchange controls.

Internal Market and Price Regulation

The Banco Agrícola (National Bank) administers support prices in Venezuela and stores the products. Support prices have been established for corn and beans, although there is no indication that they have ever functioned for beans. Rice is no longer subject to an overall support price, although that part of production financed by the government has a guaranteed price primarily so that borrower-growers can repay their loans. Copra and sesame have in effect a support price, but the government does not buy the surplus. Crushers must show that they have bought their quotas of these domestically produced oilseeds at the fixed price before they are permitted to import additional quantities duty free. As there has always been a deficit of these seeds the stated price is in effect a support price.

Sugar is the only monopoly crop. It is controlled by a corporation composed of the refiners and the government, through the Corporación Venezolana de Fomento (Venezuelan Development Corporation). Rice is subject to production regulation in that the corporation has limited the rice acreage it will finance at the floor price. However, there is no limit placed on private planters. They may grow all of the rice they care to and sell it for what they can get.

There is a producer subsidy paid to dairymen equivalent to 4.7 cents a quart destined for pasteurization and consumption as fluid milk. The present subsidy is countrywide.

Indirect Aids

In line with the government's policy of self-sufficiency, the Banco Agrícola y Pecuario (the Agricultural Bank) supplies production and harvesting credits either directly to the Venezuelan farmer, or does so on recommendation of the Development Corporation. In addition, the Instituto Agrario Nacional (Agricultural Institute) gives production credits to its agricultural colonists payable at the end of the crop year. It grants machinery credits on a 6-year term and land purchase credits for selected colonists on a 20-year term. All loans are at 5 percent.

Another form of government assistance to agriculture is the program for developing irrigation projects. Three new projects are expected to add about a million acres to the farmlands now cultivated. An additional 50,000 acres is being cleared for a colony.

Besides land clearing and irrigation projects, the government is constructing, as part of its petro-chemical development, fertilizer plants designed to produce about 120,000 short tons of chemical fertilizers annually. Current fertilizer use is in the neighborhood of 22,000 short tons.

The government is directly engaged in improving local beef herds by the importation of breeding stock for resale to local cattlemen at cost. Over the past 3 years some $5 million have been spent in this field, practically all on beef cattle, though some hogs have been imported.

The government operates a practical school of agriculture (2-year term), and the Central University has a college of agriculture (5-year term). Gardening is taught in some rural schools and there is an agricultural extension and home demonstration service available. Certain veterinary services and remedies are supplied free or at cost, and the government experiment station is available to any farmer. The country is divided into 11 agricultural districts, and each district has a trained agriculturist at the head of the district services.

Venezuela has entered into an overall agreement for technical assistance with the United Nations.

THE FAR EAST

Most Far East countries have moved from colonial status to national independence within the past decade. Thus some of them have not had sufficient time to establish their national agricultural policies. Also, policies are subject to more changes than in nations that have enjoyed a long period of independence.

Farming is the major occupation of the peoples of the Far East. All the nations except Japan are primarily exporters of agricultural raw materials and semiprocessed and processed goods of domestic agricultural origin, and importers of manufactured industrial and consumer goods. Japan is the only highly industrialized country of the region and is almost exclusively an exporter of manufactured goods. Also, Japan is the leading importer of farm products.

Exports from countries of the region in 1955 totaled $8.3 billion while imports totaled $8.6 billion, leaving a trade deficit of approximately $300 million. Preliminary data show that both export and import trade grew in volume and value in 1956, but that this increase in trade was accompanied by a widening of the deficit.

About one-third of the region's trade is within the region. About one-fourth is with Western Europe, and just under one-fifth with the United States. Trade with Communist countries constitutes less than 5 percent of the total.

In order of their importance, the leading agricultural exports from countries of the region are rubber, tea, rice, vegetable oils, sugar, raw jute, and raw cotton. In 1955, exports of these seven commodities totaled slightly over $3 billion and, excluding Japan, represented over half of total exports from the region. Leading agricultural imports into Far East countries are wheat, rice, cotton, tobacco, and vegetable oils and oilseeds.

In 1956, United States agricultural exports to Far East countries totaled $891 million while agricultural imports from the region totaled $782 million. This represented 21.4 percent of total United States farm exports and 21.3 percent of agricultural imports.

Most Far East countries have development policies and programs that call for substantial increases in both agricultural and industrial production. Raising the standard of living of the people is the principal long-time policy goal. The agricultural policies arise from (1) the need to feed and clothe the rapidly increasing population, (2) the need to export more to increase foreign-exchange earnings, (3) the desire of each country to become as nearly self-sufficient as possible, (4) the need for a more adequate diet, and (5) the increasing raw material requirements of the expanding industries of the region.

The leading countries of the region are following a policy of national economic planning. Irrigation, land reclamation, and other agricultural development projects are being carried out under these national plans. In most countries policy planning is done by a specially constituted body. Membership consists of cabinet ministers and other top government officials, the Prime Minister usually acting as chairman. In India, Pakistan, and other countries with a federal form of government, the policy board includes chief ministers from the various States or Provinces.

In pursuance of their overall national policies the countries of the Far East rather closely control and regulate foreign trade. In practically no country is the foreign-exchange situation sufficiently favorable to permit complete freedom of exports and imports. All must husband their scarce foreign-exchange resources.

In general foreign trade control policy is implemented by means of quotas and licensing, which include quantitative and destinational restrictions. Import tariffs are used primarily for revenue purposes and to protect domestic producers, but also as a subsidiary means of trade control. Several countries of the region are members of the British Commonwealth and, as such, grant and receive certain tariff preferences to and from other members. Six countries are members of GATT. Trade agreements and barter play a part in determining the volume and direction of trade.

State trading has been of some significance in most countries and is becoming increasingly important. In several countries essential food imports are made on government account, but most other agricultural imports are made by private concerns. In most countries the policy has generally been to leave the export of farm products to the private trade. There are some marked exceptions to this, however, such as the rice export monopoly maintained by the Government of Burma.

Some of the countries are encouraging trade with the Communist countries. This is tending to increase state participation in foreign trade, for some governments feel that private traders cannot deal to advantage with the state trading organizations of such large countries as the USSR and Communist China. India in 1956 established a large corporate organization for the expressed purpose of carrying on trade with Communist countries.

A policy of export promotion is being actively implemented in most countries by such measures as the payment of premiums to exporters, the reduction of export duties, the liberalization of export licenses and quotas, the promotion of barter, and the establishment of export councils for specific commodities.

Price controls are in use by Far East governments. Some are operated to stimulate production, such as the guaranteed price to flue-cured tobacco growers in the Philippines or the price supports for food grains adopted by the Government of India. More frequently, however, price controls are used to hold in check prices to consumers. For several years most governments followed a policy of relaxing controls, but with inflationary tendencies widespread throughout the region the policy of several governments has recently been to increase and expand controls.

The regulation of internal marketing is usually of an indirect nature. Practically all countries pursue a policy of encouraging and giving some assistance to producer cooperatives. Some governments maintain wholesale or retail outlets for basic commodities to assure supplies to consumers at fair prices and as an indirect control of private trade. Government monopolies are fairly frequent--most notably for tobacco.

Agricultural credit has always been highly inadequate in the Far East. The policy of the governments of the region is to make farm credit available to cultivators at reasonable rates of interest. In furtherance of this policy most governments have set up state-controlled rural banking institutions, but to date the objective of adequate credit has in general not been achieved.

A policy goal of almost every country is universal literacy. However, much must be done before this goal is attained, as in a majority of the countries most rural people are still illiterate. Adult education and agricultural extension programs are being instituted and free education for children expanded in the rural areas. There are already a number of good agricultural colleges in several countries, and the policy is to strengthen these to produce the agricultural leaders that are so badly needed.

External aid is a factor of importance in the agricultural policies of nearly all Far East countries. The United States represents the major source of such aid, with technical assistance programs in all countries except Burma, Malaya, and Japan. Several countries of the region are members of the Colombo Plan and receive aid largely in the form of goods and services from members outside the region. Excluding the United States, these sources are the United Kingdom, Australia, New Zealand, and Canada. Most countries are members of the Food and Agriculture Organization of the United Nations (FAO), and participate in its technical assistance activities. Economic and technical aid from the USSR and other Communist countries is getting increasing attention.

Sales of agricultural surpluses for local currencies under PL 480 have been made to a majority of the countries in the region. These sales have become increasingly important in providing added supplies of food and raw materials to help promote economic development. A major part of the local currency proceeds from such sales is made available as loans for economic development.

JAPAN

Dependence on Trade in Farm Products

Japan is the leading industrial country of the Far East and one of the world's leading importers of farm products. Because of its limited area suitable for cultivation it has only 13.3 million acres in cultivation, but, by intensive multiple cropping, the planted area amounts to nearly 20 million acres. About 90 percent of this area is devoted to food crops, but the indigenous food supply is still 20 percent short of requirements. Domestic production of agricultural raw materials is even less adequate. The large textile industry of Japan is entirely dependent upon imports for its raw cotton and wool. Large quantities of tallow, hides and skins, and rubber are also imported.

During the 5-year period 1951-55 Japan's total annual imports averaged $2,261 million. Agricultural imports amounted to $1,396 million per year, with the United States supplying 31 percent. Exports averaging $1.5 billion per year are almost entirely industrial products. Nine commodities--wheat, rice, barley, corn, tobacco, hides and skins, soybeans, cotton, and tallow--have made up 95 percent of Japan's total agricultural imports from the United States. Of Japan's total imports of these items ($944 million), the United States has supplied 44 percent. Its strongest competitors for this market are Mexico (9 percent of the total), Canada (8 percent), Pakistan (7 percent), and Thailand (6 percent). No other country supplies as much as 5 percent of Japan's imports of this group of nine commodities. Other countries are important, however, as suppliers of individual commodities within the group.

Policy Goals

Japanese agriculture is closely interrelated with the industrial and commercial segments of the economy. The government is seeking further improvements and means of expanding agriculture. But the possibilities have already been extensively exploited, and the only lasting solution to the problem of the pressure of a large farm population on a relatively small area and with small holdings appears to be through expanding industry and commerce until they attract sufficient surplus rural labor to further reduce the farm population. Thus, all developments in the formulation of economic policy are of concern to Japanese agriculture. And those aspects of policy that appear to be of least immediate interest to agriculture may by indirection yield the greatest ultimate benefits to the Japanese rural population.

The broad economic policy objective of Japan may be briefly summarized as follows: To achieve a continued increase in the total and per capita production and consumption of goods and services with maximum opportunity for full employment. The Japanese Government undertakes to provide such guidance to the utilization of available resources as is deemed necessary for the attainment of this objective. Policy goals in support of this broad policy include (1) continued domestic production of at least 80 percent of Japan's food requirements, (2) providing the Japanese people with a more varied and more nutritionally adequate diet, and encouraging the people to consume such a diet, (3) expanding and modernizing industry, and (4) encouraging further expansion of foreign trade. Numerous measures are in operation designed to achieve these goals.

Regulation of Foreign Trade

Japan is a processing nation dependent upon imports for substantial quantities of food and raw materials. A thriving export trade is essential to the maintenance of a large volume of imports. In general, restrictions on imports of food and raw materials are held to a minimum to insure adequate supplies at lowest possible cost as a spur to industry and aid in the competitive position of export goods. However, the government recently has increased restrictions in order to conserve foreign exchange.

The current level of Japan's tariff is considered moderate. Duties on basic agricultural commodities are low, and for some items even these low duties have been exempted under Cabinet order. The import duty on tobacco is 355 percent ad valorem. It is not imposed, however, since all tobacco is imported by the Monopoly Corporation or by its authorized importers.

Because Japan has had difficulty balancing its merchandise account since World War II, the government has imposed restrictions on the use of foreign exchange. All commercial imports are subject to licensing. Food and basic raw materials are given first priority.

Under the foreign exchange budget, established semiannually, there are three types of import systems. Under the Automatic Approval system, licenses for specified commodities are issued on application. There is no value limit for any commodity on the Automatic Approval list, but there may be restrictions as to area or countries from which imports may be made. Licenses are almost always approved but may be suspended if the exchange for a specific commodity is exhausted and cannot be covered by exchange allocated for other commodities.

The Funds Allocation system is far more restrictive than the AA system as to the amount of imports permitted and the source from which purchases may be made. Furthermore, applications are accepted only during specified periods.

Under the Global Quota system, allocations are made by commodity only, without regard to the possible source of imports.

Japan has had bilateral trade agreements with some 25 countries. These may be renewed from time to time. Many of them provide for trade in agricultural products, but not necessarily in specific amounts. It is therefore impossible to determine what proportion of Japan's imports of individual commodities may be handled through formal trade agreements. Japan participates in the International Wheat Agreement. Annual imports under the agreement have been 1 million metric tons.

Japanese exports of agricultural commodities are small and consist of items not generally competitive with United States exports. Japan's export promotion measures are significant to United States agriculture primarily from the standpoint of prospective increases in foreign exchange earnings, part of which may be used to finance imports of agricultural products. National government subsidies for trade promotion totaled $2.6 million for the Japanese fiscal year 1956.

Indirect government assistance is probably of greater significance. It consists chiefly of special taxation measures which permit exporters and manufacturers to deduct a large portion of their export profits from income tax calculations, and special low-interest loans to finance exports of finished products and imports of designated raw materials.

Internal Market and Price Regulation

The government supports farm prices for several commodities. The Ministry of Agriculture and Forestry has authority under the Food Control Law to purchase from farmers rice, wheat, common barley, and naked barley. Under other authority the

Ministry can support prices of white potatoes, sweetpotatoes, soybeans, rapeseed, and beet sugar.

Rice is the only food crop remaining under government control in Japan. Official prices paid to producers are set each year by the Cabinet after consultation with the Rice Price Deliberative Council. All rice offered for sale by producers is subject to purchase by the Food Agency of the Ministry of Agriculture and Forestry through licensed handlers. It is sold to consumers under ration at fixed prices through licensed dealers.

Controls on wheat and barley were removed June 1, 1952, but the Food Agency stands ready to purchase from producers in any quantity they wish to sell at fixed (essentially support) prices. Price supports were extended to soybeans in 1956. For the 1956 crop year the government decided to buy up to 42,000 metric tons at official prices.

The cultivation, importation, and manufacture of tobacco and tobacco products are closely controlled by the Japan Monopoly Corporation. The monopoly designates which farmers may produce tobacco and exercises control regarding amounts and types to be grown, cultivation practices, and the purchase of leaf.

Subsidies are granted in various forms to assist farmers in the procurement of production supplies. To encourage production of the major food grains and soybeans, subsidies are granted for the purchase by farmers of certain items of farm equipment and agricultural chemicals. In some instances the subsidy is in the form of special low-interest loans.

Although the number of dairy cattle in Japan has increased sharply since the end of World War II, dairying is still a minor enterprise. However, there is considerable interest in expanding the dairy industry, and the government subsidizes a part of the interest on loans extended to farmers for purchase of good cattle. Subsidies are also given to encourage the development of feed supplies.

Indirect Aids

Credit facilities available to Japanese farmers have been reorganized since World War II. There are some 35,000 agricultural cooperatives, established under the Agricultural Cooperative Association Law of 1947, of which about 13,000 engage in credit business. Local cooperatives that perform credit functions are joined in prefectural credit federations, which in turn are member-stockholders in the Central Cooperative Bank for Agriculture and Forestry. The Central Bank is directly connected with the general money market and thus provides for adjustment of excesses and shortages of funds that occur seasonally in agriculture.

Through the cooperative credit system, as outlined above, farmers obtain both short-term and intermediate credit. Long-term credit for farmers is available from the Agricultural, Forestry, and Fisheries Finance Corporation. This corporation was established as a government agency in 1953 with funds only from government contribution or borrowings from the government. It provides loans for maintenance and development of productivity in agriculture. Having no local branch offices, the corporation entrusts the actual lending to the Central Cooperative Bank, the prefectural credit federations, and local commercial banks.

Only 11.5 percent of all farm families mainly engaged in agriculture had to pay agricultural income tax in 1956.

To encourage the collection of rice, certain tax benefits are allowed for early sales to the government. In recent years local taxes have become more significant to farmers than national taxes. In 1955 local taxes made up 83 percent of the total taxes and public imposts paid by farmers. This compares to 46 percent in 1949. Total taxes and imposts per farm household in 1955 amounted to less than 9 percent of the total farm household income, including both agricultural income and income from nonfarm work. This compares favorably for agriculture with taxes paid by other segments of the economy relative to income.

After World War II, both research and extension activities were reorganized for more effective administration and coordination of effort under the Law for Improvement and Promotion of Agriculture of July 1948. The research and extension services are administered by the Promotion Bureau of the Ministry of Agriculture and Forestry.

Prefectural experiment stations are financed mainly by the Prefectural Governments and partly by grants from the National Government for specific research projects. Research results are brought to the farmers through the extension system. Prefectural Governments carry out extension services under the guidance of the Promotion Bureau. They receive subsidies covering two-thirds of the salaries of extension personnel.

Each year in Japan considerable areas of cultivated land are damaged by flood, earthquake, or other natural disasters. In addition, about 50,000 acres of cultivated land are more or less permanently lost from agriculture each year by transfer to other uses, such as industrial and urban residential development, highway development, or even by complete abandonment as submarginal.

There remains but little land suitable for reclamation in Japan. But the government maintains a lively interest in the development of new land and the improvement of already cultivated land as a means of increasing or at least maintaining the present level of agricultural production. There are currently four major projects either in progress or on the drawing boards. It is estimated that these projects will bring into use about 140,000 acres of new land and provide for improvement of about 75,000 acres of existing cultivated land. Large-scale projects are undertaken by National and Prefectural Governments, and smaller projects are undertaken, with the aid of government subsidy and supervision, by land improvement districts organized by farmers in the respective areas.

Limitation of available funds, as well as of land, tends to retard land development in Japan. A part of the funds loaned to the Japanese Government by the United States from PL 480 transactions is being devoted to land reclamation and improvement. The International Bank for Reconstruction and Development has also made a loan in support of these projects.

The system of land tenure followed in Japan today is the result of the major reform after World War II. Under this program 88 percent of all farmers now own all or more than half of the land they cultivate, and the proportion of cultivated land that is tenant-operated has declined from 46 percent to 10 percent. For those who continue to rent the land they cultivate, the conditions of tenancy have been much improved.

THE PHILIPPINE REPUBLIC

Dependence on Trade in Farm Products

Philippine agriculture is characterized by small subsistence-type farms with relatively low yields and a high proportion of tenancy. About 45 percent of the total cultivated area is in rice, the principal food crop. The main export crops are coconuts, sugarcane, abaca, tobacco, and pineapples.

Total Philippine exports in 1953-56 averaged $416 million while imports averaged $488 million. About 75 percent of the exports but only 17 percent of the imports were agricultural products.

Historically, the United States has been by far the most important trading partner of the Philippines, taking the bulk of its agricultural exports and supplying the largest portion of its agricultural import requirements. In the past 4 years (1953-56), the United States has taken about 99 percent of the Philippine exports of desiccated coconut and canned pineapple, 97 percent of the sugar, 91 percent of the coconut oil, 38 percent of the copra, and 28 percent of the abaca fiber. In the same period, the United States supplied 60 percent of all agricultural commodities imported by the Philippines, including about 54 percent of the food products (except fish), all the leaf tobacco, and 96 percent of the cotton. However, in recent years Philippine dependence on United States agricultural products has declined and this trend is likely to continue.

Policy Goals

A basic tenet of Philippine agricultural policy is self-sufficiency. Major emphasis is placed on increasing production of food crops, and efforts are being made to diversify agricultural production. Measures used to promote these objectives include restrictions on imports, price supports, and subsidized distribution of fertilizers.

The improvement of economic and social conditions among the rural population is a prime goal of the Philippine Government. To achieve this goal more than 400 farmer cooperatives have been organized to provide low-cost credit on liberal terms and to assist in processing, storage, and marketing of farm commodities. More than 80 rural banks have been established. Various steps have been taken to improve landlord-tenant relations. Legislation provides for the purchase of large landed estates for subdivision primarily to tenant occupants. Undeveloped public lands are being subdivided into farm-sized units and distributed to settlers in resettlement projects, principally in Mindanao.

Regulation of Foreign Trade

A new tariff law effective July 1, 1957, was passed by the Philippine Congress this year, providing for extensive revision of the previous act, which with certain revisions had been in effect since 1909. The new act provides for higher duties on several agricultural import items, particularly those competing with locally produced commodities.

Under the revised United States-Philippine Trade Agreement, which became effective January 1, 1956, imports from the United States are given a preferential rate, paying only 25 percent of the duty applicable to other countries. On January 1, 1959, the rate applicable to United States items will increase to 50 percent of the full rate and by January 1, 1974, all tariff preferences are to be eliminated. The rates of duty imposed on Philippine products entering the United States move up more slowly than those imposed on United States products imported by the Philippines.

A system of exchange controls, administered by the Central Bank of the Philippines, has restricted imports of luxury and nonessential consumer items and conserved foreign exchange for imports of products to assist in the industrialization of the country, as well as raw materials and essential consumer goods not produced locally. Under the system, items are classified according to their essentiality, and this classification is used in allocating foreign exchange. A few important food products, including condensed, evaporated, and powdered milk items, wheat flour, and certain meat products, are not subject to exchange controls and can be imported freely. On the other hand, there are many agricultural items which receive no foreign-exchange allocations and are thus effectively banned.

Under the provisions of the "No Dollar Import" law, in effect since September 1955, all Philippine commodities can be bartered for capital goods and certain consumer goods items. Philippine agricultural products, which have been exported under this law, include coconut products, sugar, abaca, mangoes, and peanuts. Agricultural imports as a result of barter trade have been relatively unimportant except for some rice and luxury food items.

In 1955 the Philippine Congress passed a law which established a National Marketing Corporation, now known as NAMARCO. The primary aims of the organization were to enable small Philippine businesses to compete more effectively with established retail businesses operated almost exclusively by Chinese, and to stabilize retail prices of consumer goods, particularly imported foods. This agency has become increasingly important as an importer of food commodities which are in turn sold to Philippine retailers. Imports by NAMARCO are exempt from all duties and import taxes, thus placing it in a particularly favorable position in relation to other importers who must pay these levies.

Philippine commodities exported to the United States are now subject to only 5 percent of the full duty rate. On January 1, 1959, the rate is increased to 10 percent and is gradually raised thereafter until 1974, when the full duty rate becomes effective.

The revised trade agreement with the United States established absolute quotas for entry into the United States of 952,000 short tons of Philippine sugar and 6 million pounds of abaca fiber and manufactures annually until 1974. Annual duty-free quotas are established on other products of agricultural origin as follows: Cigars, 200 million; cigar filler tobacco, 6.5 million pounds; and coconut oil, 200,000 long tons. However, these quotas are decreased progressively after each 3 years until 1974, when they are eliminated entirely. Imports of these commodities, in excess of the quotas, are subject to the full duty rate.

Under the terms of the trade agreement, the 17-percent exchange tax levied on Philippine imports prior to 1956 was changed to a special import tax. The Philippine Government agreed to reduce the tax 10 percent annually (except under certain conditions) and on January 1, 1957, lowered it to 15.3 percent as provided in the agreement.

Internal Market and Price Regulation

In the Philippines, the most important program of price supports is on Virginia or flue-cured tobacco. Legislation, passed in 1954, established prices at which all Virginia-type tobacco must be purchased and limits flue-cured leaf imports. The program is administered by the Agricultural Cooperative Credit Financing Administration (ACCFA) and in the past year about three-fourths of the Virginia tobacco produced has been sold to the government. There are no acreage controls provided in the law, and support prices are at such a high level that production of this type of leaf is very profitable. Output has increased to the point that the crop exceeds domestic requirements.

The National Rice and Corn Corporation (NARIC) is a price stabilizing agency for rice and corn and is authorized to purchase these products directly from farmers at established floor prices set by the government. NARIC also has the responsibility of stabilizing prices to consumers and imports rice through private dealers for distribution to retail merchants in deficit areas to keep prices down.

For more than 3 years there has been a cassava flour law requiring that up to 30 percent of this product be mixed with wheat flour to lessen dependence on imports. However, the production of cassava flour has been negligible and this law has not been implemented.

In 1956 the Philippine Congress passed a law to encourage agricultural production by making fertilizers available to farmers at specified prices. For certain kinds of fertilizer the prices established by law are about 50 percent of the commercial prices, and the balance of the cost is to be paid by the government. Distribution is to be made through ACCFA and the farmer cooperatives. Up to $9 million may be allocated for this program each year for 3 years. About $3.5 million has already been authorized for this program but not all of this has been released.

In order to give small farmers the opportunity of owning cattle, the Philippine Congress appropriated $500,000 for a program known as Operation Livestock Dispersal. Under the program, selected farmers are given one cow each with the requirement that the first and third offspring be returned to the government for distribution to other farmers.

Indirect Aids

ACCFA is probably the most important influence in Philippine agriculture at the present time. Farmer Cooperative Marketing Associations (FACOMA's) organized under ACCFA totaled 416 at the end of 1956. Through these cooperatives, low-cost loans are available to farmers. In addition to credit, the cooperatives provide facilities for storage or warehousing of farm products; processing, including rice milling and the flue-curing and redrying of tobacco; marketing of agricultural products for members; and merchandising, including the purchase of agricultural commodities from members and sales of fertilizer and other items to members.

ACCFA is influential in getting farmers to adopt improved seed varieties and cultural practices advocated by the extension service. Farmers securing loans are required to follow improved cultural practices, including the use of fertilizers and of improved seed when available.

In addition to ACCFA, credit is available to agriculture through the Rehabilitation Finance Corporation and the Rural Banks Administration. Under the latter agency, more than 80 rural banks have been organized. The entire credit program is doing much to provide credit to farmers at rates well below those of private moneylenders.

In 1954 an Agricultural Tenancy Act was passed by the Philippine Congress to improve landlord-tenant relations in high tenancy areas. The Agricultural Tenancy Commission is responsible for carrying out the purposes of the law. The Land Reform Act of 1955 further defined the land tenure policy and created the Land Tenure Administration. Programs under these laws have already improved security of tenure and will undoubtedly contribute to the stability of agriculture in the Philippines.

The Philippine Government has a program for development of public lands and resettlement of families from overpopulated areas as well as rehabilitation of surrendered or captured Huks. The program is aimed at lessening the Communist problem and unrest in rural areas, while at the same time contributing to increased agricultural production. In the 2 years ending in 1956 a total of 10,650 new families had been resettled and rehabilitation of 8,000 previously settled families was continued.

Much assistance has been given to the Philippine Government in its agricultural development program through United States foreign aid. Under the program, technical assistance, equipment, and funds have been channeled into projects considered by both governments to be those which would provide the most assistance to the country. Projects which have received United States aid include development of an agricultural credit program, farm tenancy improvement, resettlement, development of additional irrigation facilities, construction of rural roads, eradication of malaria, improvement and expansion of the agricultural extension service, and increased food production through development of improved varieties of crops and use of improved cultural practices. Through a contract with Cornell University, the College of Agriculture at Los Banos has been rehabilitated and expanded. In addition, many Filipinos have been brought to the United States for study and training in various phases of agriculture.

On June 25, 1957, a PL 480 agreement was signed with the Philippine Republic providing for the sale of $10.3 million worth of surplus rice, cotton, dairy products, variety meats, tallow, and dry milk for pesos. Fifty-one percent of the proceeds will be available for economic development loans to private enterprise in the Philippines when arrangements have been agreed upon.

INDONESIA

Dependence on Trade in Farm Products

The agriculture of Indonesia is characterized on the one hand by large-scale production of export crops on scientifically managed European plantations, and on the other by small-scale farming carried on by the native population. The principal food crops are rice, corn, cassava, and sugar; the main export crops are rubber, copra, oil palms, tobacco, tea, coffee, hard fibers, and pepper.

Indonesia's exports for 1954 and 1955 averaged $894 million and its imports, $617 million. About two-thirds of total exports were agricultural products, but agricultural commodities were less than 20 percent of the import total. Malaya (including Singapore), the United States, the Netherlands, and the United Kingdom are the four principal markets for Indonesian agricultural products. Indonesia's principal agricultural imports are rice, dairy products, wheat flour, tobacco, and cotton. The United States supplies the bulk of the tobacco and cotton and a portion of the flour; Australia is the main source of flour. Burma and Thailand supply most of the rice and the Netherlands most of the dairy products.

Policy Goals

Indonesia's policy goals, as set out in the proposed Five-Year Plan, place emphasis on attainment of self-sufficiency through increased production of food and fiber crops, diversification of the economy, and improvement of economic and social conditions in the rural villages largely through self-help programs.

To increase food production the government is endeavoring to promote the use of more fertilizer, improved seed, better irrigation facilities, and generally improved cultural practices. Expansion of both large and small-scale irrigation projects is planned. Emphasis is being placed on increased production of protein crops as well as livestock. Development of new areas and resettlement of families from densely populated areas are under way.

Indonesian trade policy is aimed at promoting exports to earn more foreign exchange and restricting imports, particularly of consumer goods items, so as to conserve foreign-exchange earnings.

The policy, with reference to estate lands, is not clearly defined, although in general the country tends to look unfavorably toward foreign-operated enterprises. Draft laws have been prepared which would give the Ministry of Agriculture broad powers to control the transfer of rights over estate lands, and to regulate the operation of estates, including cancellation and extension of long-term leases. However, these have not yet been acted on.

Although the government has formulated various policy goals and programs for agriculture, conditions at the present time make the implementation of these programs difficult or impossible. The Central Government now has firm control of Java and Madura, while the Provincial Governments of Sumatra, Borneo, Sulawesi, and the Eastern Islands have been moving in the direction of more local autonomy through the leadership of local and military leaders. While the Central Government is negotiating with the local leaders and has offered some concessions, satisfactory agreements have not been reached.

In the meantime, most of the export commodities, which are produced on Sumatra and the Outer Islands, are being marketed and a part of the proceeds is being used for development purposes in the local areas. This is depriving the Central Government of its sources of revenue and is creating severe economic problems. Until a satisfactory solution to the separatist problem is found, no effective development program for the country as a whole can be put into operation.

Regulation of Foreign Trade

Indonesia's foreign-exchange regulations were completely revised in June 1957. The new system is somewhat less complicated than the one it replaced and was designed to improve the country's unfavorable financial position by stimulating exports and bringing them into balance with imports. Under the system, exporters, instead of receiving rupiahs at the official rate, will receive from the exchange bank export certificates with a face value equal to the value of the commodities exported. These certificates are valid for 2 months and may be used to import goods or may be sold through the exchange bank at a price based on supply and demand, with the seller paying a 20-percent tax to the government on the transaction.

Export certificates are required for all imports and other payments of foreign exchange. When an importer obtains an import permit, he must then obtain an export certificate equal in value to the landed cost of the commodities imported. Since the certificates are currently selling at more than double their face value, retail prices of imported goods are expected to increase.

Import commodities, which were formerly divided into 16 different groups for the purpose of applying import surcharges, are now classified into only 6 groups. The import surcharges for the respective groups are 0, 20, 50, 100, 140, and 175 percent of the landed cost, and are calculated on the basis of the amount paid by the importer for the export certificate. Classification of imports by commodity has not been completed and details for specific commodities are not available.

Most agricultural import items except rice and cotton are subject to import duties, which range up to about 30 percent ad valorem, based on the landed cost plus import surcharges.

The system of export premiums that had been in effect for agricultural commodities has been eliminated, and the export duties that had been levied on rubber and coffee have been lifted temporarily.

Although the ban on imports, which had been in effect for several weeks, was lifted when the new trade regulations became effective, reports indicate that import trade following the announcement has remained at a low level. The new system has not been in operation long enough to determine how successful it will be in stimulating exports or in controlling imports.

Indonesia has trade agreements with almost all the Communist countries. Most of the agreements are valid for 1 year, with automatic renewal unless denounced 3 months prior to expiration, and provide for payments to be made in transferable pounds sterling under irrevocable documentary credits. However, except for the agreement with Communist China, no quotas are attached to the list of products to be traded by the contracting parties. In the case of Red China, the agreement calls for trade of 12 million pounds sterling annually each way. Indonesia also has agreements with India, Egypt, and Yugoslavia but terminated the agreement with Japan effective June 30, 1957.

Most of the trade agreements provide for Indonesia to export agricultural commodities including rubber, coconut products, sugar, and coffee, among other things, and to receive industrial products in return.

Internal Market and Price Regulation

The most important effort at market and price control in Indonesia applies to rice. The government's Food Supply Board is the sole importer of rice and also fixes prices at the wholesale level. Paddy may be purchased from farmers only by farmer organizations named by the board, and rice mills are permitted to mill only rice purchased by the board. To stabilize prices, the board stores rice and releases it to retailers in deficit areas at prices fixed weekly. While the government does not set retail prices, this system has had a stabilizing effect on prices in cities and deficit areas.

The Netherlands-Indonesia Association for the Sale of Sugar occupies a monopoly position in the purchase of estate-produced sugar and is the only seller of estate sugar in Indonesia or abroad. This agency sets the price paid to sugar mills and the price at which sugar is sold to wholesalers, but does not establish retail prices.

Efforts to maintain a monopoly position in copra purchases and exports by the Central Copra Cooperative, successor to the Copra Foundation, have been only partly successful.

Indirect Aids

The Government of Indonesia is endeavoring to meet the credit needs of the small farmers through a system of village banks and through the promotion of cooperative societies. At the present time, there are more than 8,000 village banks in Java which make short-term loans to farmers. A special law for cooperatives has been enacted and a Cooperative Service has been established. In December 1955 the country had 3,300 cooperatives through which credit was available to farmers.

Taxes on the rural segment of Indonesia's population are considerably less than its proportionate contribution to the national income. Estates are subject to real estate, lease, and income taxes, as well as high duties on many necessary imports, but peasants bear a relatively small tax burden.

Indonesia has a well-organized agricultural extension service, but the principal functions have been of a regulatory and reporting nature. However, there are plans to enlarge the service and use it to disseminate agricultural information, and thus enable it to have a larger impact on rural development. The country has a number of agricultural experiment stations, where research work on various crops and types of livestock is conducted. Emphasis is being placed on improved varieties and breeds and on developing improved cultural practices.

The government has a policy of land development in sparsely populated outer islands and of transferring people to these settlements from Java. New settlers are given title to the land in 3 to 5 years if they demonstrate their ability to operate it.

Construction of a large dam to provide irrigation for a large area as well as hydroelectric power is under way, and plans for the construction of a fertilizer factory are being made.

In recent years, the United States Government has extended assistance to Indonesia through the foreign aid program in the form of technical aid and development capital. Principal projects affecting agriculture have included agricultural extension, land reclamation, development of high-yielding rice strains, soil erosion control, disease and insect control, malaria eradication, and training of agricultural technicians. The country has also obtained Colombo Plan aid from Australia, Canada, New Zealand, and the United Kingdom, although relatively little of this assistance has been for agricultural projects. East Germany, Russia, and Czechoslovakia have signed technical assistance agreements with Indonesia primarily for industrial development projects. However, the construction of a sugar factory with East German aid and a rubber tire factory with Czech assistance are the only projects under way as a result of these agreements.

In 1956 Indonesia and the United States entered into a PL 480 agreement under which the United States agreed to sell to Indonesia surplus rice, wheat flour, tobacco, and cotton totaling more than $90 million. Most of the commodities have been shipped and 80 percent of the proceeds will be available to the Indonesian Government on long-term loan for development projects if an agreement on loan arrangements can be reached.

THAILAND

Dependence on Trade in Farm Products

The agriculture of Thailand is as completely dominated by rice as that of any country in the world. Production is great enough to permit Thailand to be one of the world's leading rice exporters. That product represents nearly half of the value of all exports; and rubber, the second most important export, accounts for about 25 percent. The Thai Government depends heavily on export taxes on agricultural commodities for revenue.

Thailand sells its rice principally in Asian markets, particularly Japan, Singapore, Hong Kong, Malaya, and Indonesia. Virtually all rubber shipments go to the United States.

Imports of agricultural products are rather small, amounting to only slightly over 10 percent of total imports. Thailand does import substantial quantities of tobacco (most of which comes from the United States) and tobacco products, dairy products (principally condensed milk), and sugar. Thailand buys a little cotton but gets a great quantity of standard cotton fabrics from abroad. In 1956 imports of cotton fabrics were valued at $48 million, the largest single item.

In 1956, the value of Thailand's total imports was $368 million; total exports were valued at $326 million. Although Thailand's imports from Japan were slightly greater than those from the United States in 1956, Thailand's exports to the United States were nearly 3 times as large as those to Japan.

Policy Goals

As most of Thailand's foreign-exchange earnings and a large share of the tax revenues are derived from agricultural products, the government has a real incentive for its policy of aiding and encouraging the expansion of agricultural production, particularly production of export commodities.

No comprehensive plan or program for economic or agricultural development has been adopted by the Thai Government. However, the government's policy has been to undertake numerous projects to improve the several segments of the economy. Of vital interest to agriculture are the government's irrigation policies and projects. In 1956 the Chainat Dam was completed along with a large part of the main canal system. When all the lateral canals are completed--scheduled for 1959--2.3 million acres are expected to be irrigated as a result of this project.

The policy for development covers a wide range of activities in addition to irrigation. These include rice breeding work, use of fertilizers, pest control, sericulture, and improvement of domestic cotton and tobacco, as well as work with rubber trees. Among the newer policy objectives is the increasing of livestock and meat production.

Regulation of Foreign Trade

Although Thailand's balance of trade has been unfavorable for several years, exchange controls and trade controls over many items were eliminated in the fall of 1955. Current policy is to protect local industries and products by banning or restricting imports of competitive products. Among the agricultural items banned are animals for slaughter, food grains, most processed fruits and vegetables, and most vegetable oils. Imports of sugar are held to the minimum required over domestic production.

Export duties are imposed on most goods and extraordinary charges or "premiums" are levied on certain items, particularly rice, rubber, tin, and lumber, the largest export items. For the purpose of levying ad valorem export duties on rice, the Thai Customs Department periodically announces arbitrary fixed basic values for various grades. The total charges against rice exported, including export license fees, duties, and premiums, plus a local business "turnover" tax, may add up to as much as 40 percent of the f.o.b. price.

Internal Market and Price Regulation

There are no fixed or supported prices on major agricultural commodities in Thailand. However, a government-owned warehouse organization does attempt to prevent disaster prices to rice growers by purchasing during the harvest season, but its capital is limited and its program has little impact.

Thai farmers receive no direct subsidies from their government on the basis of acreage, production, or farm management practices, but they do receive many indirect benefits.

Indirect Aids

Not less than 90 percent of the farm credit, both short term and long term, is supplied by private moneylenders. Cooperatives are the most important institutional source of farm credit. The government's principal role in farm credit is in supplying, through the Ministry of Cooperatives, a portion of the money needed by the cooperative associations.

The Thai Government provides free irrigation services for many important agricultural districts. The Royal Irrigation Department has constructed extensive canal systems to spread flood waters over rice-producing areas in the flat Central Plain. The Department is also concerned with the irrigation segment of multipurpose dam projects.

It is the policy of the Government of Thailand to encourage the growth of the rubber industry by providing seedlings of improved rubber trees to growers at a very cheap price. It also has set up small model sheet-rubber processing plants where small producers can turn out a better grade of sheet rubber.

Agricultural research in Thailand is carried out by research divisions of the Agricultural, Rice, Livestock, Forestry, Irrigation, and Fisheries Departments and in Kasetsart University. These agencies operate a combined total of 45 experiment stations. Research work on tobacco is carried on by the Tobacco Monopoly at its experiment station in Chiengmai. More research has been done on rice than on any other product. This research work, which has been assisted by ICA and its predecessors and by FAO, has been carried on intensively in the past 5 years to make available to the farmers of Thailand higher-yielding varieties.

It is the policy of the government to disseminate results of agricultural research and other agricultural intelligence to the farmers. The framework for this extension service exists within the Ministry of Agriculture, and its effectiveness is being improved through cooperation with ICA. The ICA program, in addition to working with all levels of personnel of the Ministry of Agriculture in Thailand, has sent a number of Thais to the United States for training in extension work.

In carrying forward its agricultural and other development programs, Thailand has for several years been receiving considerable technical and other assistance from abroad, principally from the United States. In addition, Thailand has participated in the PL 480 program by purchasing $4.6 million in surplus agricultural commodities (tobacco and dairy products). Of this amount $2.1 million is to be reloaned to Thailand for multilateral trade and economic development programs.

BURMA

Dependence on Trade in Farm Products

Burma is an underdeveloped, agricultural country depending almost entirely on agricultural products to earn foreign exchange. Just as rice completely dominates Burman agricultural production, it also dominates the country's exports. Each year since 1952 rice has accounted for 75 to 80 percent of the total value of exports. Other agricultural products, principally cotton, rubber, pulses, and oilcakes, have accounted for an additional 14 to 15 percent and all agricultural commodities have been responsible for 90 to 92 percent of foreign exchange earnings annually in recent years. Normally most of the rice is sold in nearby markets--India, Japan, Ceylon, Malaya, Indonesia. The volume of agricultural imports is small, about one-fifth of total imports, and consists largely of cotton and jute goods, coconut oil, dairy products, wheat flour, and sugar.

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Burma traditionally has had little trade in agricultural commodities with the United States.

Policy Goals

Burma's primary agricultural policy is to maintain a large volume of rice exports in order to provide much needed foreign exchange. The government promotes self-sufficiency in other agricultural products, such as cotton, sugar, jute, tobacco, and oilseeds.

Several agricultural development programs are now operating; each one, other than the one for rice, is aimed at ultimate self-sufficiency in the production of a commodity. Motivation for these development programs comes from three main governmental organizations: The Land and Rural Development Corporation (LRDC), the action agency of the Ministry of Agriculture and Forests; the complementary Industrial Development Corporation (IDC), which develops mills, factories, and so forth to use agricultural products; and the Department of Agriculture.

The Chief Executive Officer for Rice Improvement is charged with increasing the acreage of rice as well as improving its quality. This is the first year that his organization has carried out projects to increase the acreage under rice. Plans call for an increase of 200,000 acres this year, and the officer expects to bring in additional acreages each year. The first action taken to expand the rice area has been the construction and reconstruction of embankments along river banks to protect adjacent rice lands from flooding and brackish waters. The greatest deterrent to increasing rice acreage in Burma, however, is not the shortage of suitable land but rather the lack of security in rural areas. The government has made some progress in providing security from bandits in farm areas, and in areas where this has happened old rice lands are again being planted.

Expansion of the production of Virginia-type flue-cured tobacco is one of Burma's most successful agricultural development programs to date. The LRDC has loaned money for the construction of curing barns and has spent considerable time and effort in furthering the production of this type of tobacco so that it may be used in the cigarette industry of Burma. Ultimately Burma plans to eliminate imports of Virginia-type tobacco.

Another LRDC program deals with improving the quality of cotton. There has been some improvement in staple length of Burmese cotton, and more of the domestic crop is being used in domestically produced textiles. Burma plans to increase the number of cotton textile mills and there will follow an increase in the demand for domestic raw cotton of suitable staple length. The IDC has been instrumental in obtaining two large sugar mills, and it is anticipated that if sufficient cane can be grown to keep this increased mill capacity fully utilized, Burma will be close to self-sufficiency in sugar.

Both the LRDC and IDC have been active in developing dairy projects, including a factory for sweetened condensed milk. Burma is also developing a program under IDC for increasing the production of raw silk. The government has been planting mulberry trees and has been constructing reeling plants in various parts of Burma. LRDC has a program for increasing production of coffee in Burma and is training farmers in coffee culture. The development of coconut plantations is another LRDC program.

Out of all these agricultural development programs, United States agricultural exports may be affected most by the rice program, for that is the only Burmese export which competes directly with United States agricultural exports.

Ownership of agricultural land in Burma is governed by legislation such as the Land Nationalization Act of 1953. The Land Nationalization Ministry is charged with transferring ownership of agricultural lands to the farmer (he must be a Burmese citizen) actually working the land and to ensure that he does not lose ownership of the land if he continues to work it satisfactorily. Previously the ownership of agricultural land in lower Burma had been concentrated in the hands of moneylenders (chettiyars). The main activity of the Land Nationalization Ministry has been to liquidate the chettiyar system, compensate the chettiyars, transfer ownership of the land first to the government and then to the farmer, and in the interim ensure adequate security for the farmer.

The size of farm which an individual can own is restricted by law. It can contain only a limited amount of specified types of land. The maximum limits are 20 acres of paddy; 10 acres of ya (dry land paddy); 5 acres of sugarcane land; and 6 acres of kaing (riverine areas inundated for part of the year). Exemptions under the Land Nationalization Act are the areas of dhani (a palm grown mainly for its leaves), rubber plantations, and lands belonging to religious institutions.

Regulation of Foreign Trade

Burma counts heavily on import and export duties for government revenue, and agricultural imports and exports are almost entirely controlled by the government. Many items are imported and exported solely by government monopolies. The general shortage of foreign exchange has necessitated a policy of licensing imports so that the imports of consumer goods and agricultural products can be carefully controlled. The import of some agricultural commodities has been prohibited and foreign exchange has been used for agricultural commodities only when there has been a pressing need. Few agricultural items can be purchased under open general license.

The duty on unmanufactured tobacco is 200 percent ad valorem. Milk and dairy products carry a tariff of 15 to 35 percent ad valorem. Cotton thread bears a duty of only 10 percent, and duties on cotton fabrics and apparel range from 25 to 75 percent ad valorem depending upon cotton content.

Principal export tariffs are on rice and rice products; they range from about $1 to $2 per ton. Other cereals, oilcakes, and raw hides carry export duties of 5 percent ad valorem.

As a result of acute rice marketing difficulties in 1955 Burma turned to barter agreements with the Communist countries. Among the barter agreements the one with Communist China has been the most satisfactory. In general, Burma has been pleased with the commodities received from that country and China has built up credits in Burma. The reverse is true for the USSR, where Burma has built up sizable credits by large deliveries of rice while the USSR has not satisfactorily delivered consumer and capital goods. Efforts of the Government of Burma to get barter credits transferred from one Communist country to another have met with only limited success. Burma eliminated barter agreements in 1956 and 1957.

Internal Market and Price Regulation

Burma supports the price of rice by agreeing to buy paddy from the farmers at a fixed price of about $30 per ton of ordinary paddy and about $32 per ton of high-quality paddy. This support price has remained virtually constant over the past several years. The margin between the procurement price and export price, less the cost of milling, storage, transportation, and handling, accrues to the government as revenue. There are also support prices in effect for sugarcane, rubber, tobacco, cotton, and jute. The pricing policy gives a premium for better-quality cotton.

The retail price of textiles, sugar, milk, and other commodities is informally controlled. Government agencies, such as the Civil Supplies Management Board and the Cooperative Wholesale Society, are either the sole importers or heavy importers of many items. These items are distributed to the public on a ration card system through consumer cooperatives, and the price is usually much less than in the open market.

Indirect Aids

The Government of Burma has made credit readily available to the farmer and at low interest rates. Most loans have been short-term crop loans granted under the

Agriculturists Loans Act. Between 80 and 90 percent have been granted by the government direct and only about 10 to 12 percent through agricultural cooperative credit societies and State Agricultural Banks. Long-term loans for land improvement, under the Land Improvement Loans Act, have so far been negligible.

The Burmese are aware of the advantages of an extension service, and in their Department of Agriculture a Chief of Agricultural Extension has been assigned to establish an effective agricultural extension service. Lack of staff and facilities hampers the development of extension and insecurity from insurgents in the countryside also deters extension work. Some extension activities have been carried on by the Mass Education Ministry. Agriculture improvement is one phase of their village improvement program.

Burma has not received a great amount of foreign assistance in its economic, agricultural, and trade programs. The USSR has supplied some assistance in agriculture, particularly in irrigation developments. Also, as a part of the large rice barter deals, the USSR is committed to render some assistance with construction of selected buildings in Burma.

On February 8, 1956, Burma signed a PL 480 Agreement with the United States for $21.7 million of farm products. Of the local currency generated by this sale, approximately 80 percent ($17.3 million) has been loaned to Burma for approved development projects within Burma.

INDIA

Dependence on Trade in Farm Products

The Republic of India ranks among the leading countries of the world as a producer, exporter, and importer of agricultural commodities. Over two-thirds of the estimated population of 380 million are engaged in tilling the country's 280 million acres of cropland. Most of the farmland is used for growing rice, wheat, and other grains to feed the people, but much land is also devoted to the production of export and industrial crops.

India, primarily an importer of industrial and manufactured goods, also imports substantial amounts of food grains, raw cotton, flue-cured tobacco, milk products, and packaged and canned food products. In the first decade of India's independence, the United States and Australia supplied most imported wheat, and Burma, followed by Thailand, most of the imported rice. The bulk of India's cotton import requirements has been met in most years by the countries of East Africa, but since 1949-50 the United States has supplied a significant share of staple lengths 1-1/16 to 1-1/8 inches. India is an importer of high-quality United States flue-cured tobacco for blending in the more expensive brands of cigarettes. Traditionally, the United States has supplied only a minor part of India's imports of dairy products, but substantial quantities of dry skim milk have been supplied under United States Government programs.

Jute goods, tea, vegetable oils, short-staple cotton, and cotton goods are the principal exports. The United States is second only to the United Kingdom as an export outlet. Its important imports from India are jute burlap, cashew kernels, tea, lac, raw wool, goatskins, pepper, and castor oil. These are products complementary to United States production. However, some of India's agricultural exports are competitive with America's in overseas markets. Principal of these are flue-cured tobacco and peanut and linseed oils.

Policy Goals

Development plans. --India's agricultural policy is incorporated in and is an integral part of the national development plan. A first Five-Year Plan, successfully completed in March 1956, put major stress on boosting agricultural production. The Second Plan also stresses agriculture but puts principal emphasis on the industrialization of the country.

The stated objectives of the second Five-Year Plan (April 1956-March 1961) are (1) rapid industrialization with particular emphasis on the development of basic and heavy industries, (2) a sizable increase in national income so as to raise the level of living in the country, (3) a large expansion of employment opportunities, and (4) a reduction of inequalities in income and wealth. Within the framework of the plan, the broad objectives of the government's agricultural policy are (1) increasing agricultural production, (2) raising per capita food consumption to 2,250 calories per day, and (3) diversifying the Indian diet to include more protective foods such as milk, fruits, fish, and eggs.

The Second Plan calls for an increase of 28 percent in the total annual output of farm products by 1960-61, including an increase in cotton production by 56 percent; food grains, 25 percent; oilseeds, 37 percent; sugarcane, 34 percent; jute, 38 percent; and other crops an average of 22 percent. The continuation of the programs for foreign economic aid and technical assistance is a feature of this expansion.

Land reform.--The land policy adopted by India at the time of independence was designed to bring about a transition from the variety of then-existing systems of land tenure, some of which were little more than peasant exploitation, to a more equal distribution of land, elimination of intermediaries, and security of the cultivators' rights in land. Leading land reform recommendations in the Five-Year Plans are (1) abolition of intermediaries, (2) tenancy reforms to provide security of tenure, (3) fixation of ceilings on individual holdings, (4) regulation of rents, (5) consolidation of small holdings, and (6) cooperative farming.

The recommendations of the Five-Year Plan have been accepted as National Land Policy, but their implementation is a responsibility of the States. A review of the achievements in land reform, made in 1956 by a panel of the Planning Commission, showed that effective implementation of the land policy had been attained in only a few States, the most outstanding achievement being the virtual elimination of intermediaries in all States. The review revealed marked variation in the degree of implementation of most aspects of the land reform program. In some States virtually no action has been taken or effort made to effect land reform. In other States where attempts have been made to implement the program, legislation has failed to support the proposed measures, or in spite of legislation no real reforms have as yet been made.

With the experience gained since independence, India is expected to speed up and expand the implementation of land reforms in the Second Five-Year Plan. Considerable emphasis is expected to be placed on developing cooperative farms.

Regulation of Foreign Trade

India's foreign trade policy may be described as one of permitting carefully selected imports and of encouraging but controlling exports along with organized export promotion of specific commodities. It includes supplementary imports of essential raw and semi-manufactured materials not produced in sufficient quantities indigenously, and allows large imports of development equipment and machinery; but it provides for tight control over nonessential items and consumer goods.

Tariffs and duties are used only as a subsidiary means of trade control and to earn revenue for the Indian treasury. As a member of the British Commonwealth, India grants certain import tariff preferences to other members and in turn receives certain preferences from other Commonwealth countries. Bilateral trade agreements play a part in determining the volume and direction of trade, and barter is occasionally practiced.

All imports and exports are subject to licensing except those coming under Open General License or made on government account. Export control is exercised on most agricultural items. Quotas are established for imports and exports of certain items and for individual importers and exporters. Licenses are used also to control the direction of trade to or from various countries or regions.

Foreign exchange position.--One of the crucial problems engaging the attention of the Government of India for the past year has been the rapidly deteriorating foreign-exchange reserves of the country. The decline has been a direct consequence of the increased demand for developmental goods and the import requirements of expanding industrial production.

According to preliminary official estimates, imports during 1956-57 may have aggregated the equivalent of $2.1 billion and exports somewhat less than $1.4 billion. In the preceding year 1955-56, imports totaled $1.4 billion and exports $1.2 billion.

In an effort to overcome the foreign-exchange shortage, the government is limiting imports and promoting exports, and is attempting to attract foreign capital. Some of the important steps taken during the past several months are these:

(1) For January-June 1957 new restrictions were placed on the import of 509 commodities described as "relatively less essential" to the needs of India's economic development. The agricultural commodities included were manufactured tobacco, cigars, cigarettes, fish, fruits, butter, cheese, ghee, and milk products.

(2) The government is maintaining a close watch on the imports of raw materials to prevent excessive stockpiling. The licensing of capital goods is being tightened and private investors are being encouraged to seek credits from abroad and to invite foreign producers to associate themselves increasingly with domestic industry.

(3) The fiscal and monetary policy of the government is also being so molded as to restrain consumption of domestic products, thereby making available larger supplies for export. The export duty was abolished for coarse cloth and lowered for tea.

(4) In June the Minister of Commerce and Industry told the Indian Import Advisory Council that the country would further substantially reduce imports of consumer goods during the second half of 1957. He warned traders not to exploit the situation by increasing prices and threatened to cancel the import licenses of those who tried to do so. Major policy feature for July-December 1957, announced June 29, was abolition of Open General Licenses for the July-September 1957 quarter except for a few foodstuffs from Pakistan.

(5) The budget proposals for 1957-58 call for increases in excise duties on a number of articles including the following agricultural commodities: Sugar, vegetable oils, and tobacco.

Export promotion.--A number of administrative measures have been adopted to promote exports. Nine export promotion councils--cotton textiles, silk and rayon, tobacco, cashew and pepper, leather, mica, plastics, shellac, and engineering goods--are functioning at present to stimulate exports of various commodities, especially to markets in Southeast Asia, West Asia, and Africa. In addition these councils are carrying out certain essential measures to standardize export goods and improve their quality, examine complaints of foreign importers and Indian exporters, and compile essential data on the availability of exportable products.

Recently the government appointed a committee of experts to make recommendations about further steps that might be taken to promote exports.

State Trading Corporation.--The State Trading Corporation, established by the government in May 1956, functions under the overall control of the Ministry of Commerce and Industry. The objects of the corporation, as set out in its Memorandum of Association, are "to organize and effect exports from and imports into India of all such goods and commodities as the company may from time to time determine, and the purchase, sale, and transport of and general trade in such goods and commodities in India or anywhere else in the world, and to do all such other things as are incidental or conducive to the attainment of the above object."

When formed, it was generally believed the corporation would confine its activities to the expansion of trade with Communist countries only, but during the first 7 months of its activities, half of the total export business and about 60 percent of the total import business was transacted with non-Communist countries.

The State Trading Corporation has come in for a great deal of criticism by the private trade, which fears that the government through this medium may gradually attempt to oust private operators from all the more profitable fields of foreign trade. To allay these fears, government officials have been giving assurances to the trade from time to time that the corporation has no intention of interfering in the normal fields of trade but comes into the picture only when specific trading problems have to be tackled.

Up to May 1, 1957, the corporation had imported goods worth $26 million and had either exported or committed exports worth $51 million. Recently it made a shipment of cashew nuts to Russia and entered into an agreement with Communist North Vietnam for the importation of 7,000 metric tons of rice, but thus far deals involving agricultural commodities have formed only a small percentage of the total transactions entered into by the corporation.

Before the establishment of the State Trading Corporation, the Government of India directed the imports of only four agricultural commodities of importance--food grains, sugar, raw silk, and fertilizers. Export business in the major exportable agricultural commodities was handled wholly by the private trade. No significant change has been made in this pattern since the formation of the corporation, with minor exceptions. Imports of food grains continue to be handled departmentally by the Ministry of Food and Agriculture. Imports of sugar have been stopped in view of the increase in domestic production.

On the export side, only nominal quantities of coffee, cashew nuts, castor oil, and tobacco have been exported so far by the corporation to Communist countries, and by and large the export business in agricultural commodities has been allowed to remain in private hands.

Internal Market and Price Regulation

Price control policy.--A policy of price support was officially adopted by the Government of India for the first time in December 1954, when support prices were fixed for certain coarse food grains in order to safeguard cultivators against declining prices. In 1955-56, price supports were extended to rice, wheat, millets, sorghums, corn, and chickpeas.

Although quantities of food grains purchased by the government in implementation of its price support policy were small, the program succeeded in bringing about a recovery in the prices of food grains. The fall in the general level of prices was arrested toward the middle of 1955 and by the end of the year food grain prices showed an upward tendency. In May 1956 support prices were again announced for wheat and chickpeas but they remained ineffective because of the substantially higher level of actual market prices. In June 1957 the National Development Council, which is the supreme planning authority in India, decided in principle to fix minimum prices for all food grains as an incentive to farmers to increase production, but the current problem confronting the Government of India and the State Governments is to combat inflationary price rises not only of food grains, but of almost all agricultural commodities. Measures taken during recent months to bring down prices include increased imports of food grains and their distribution at government-set prices through fair-price shops, tightening credit to check hoarding by traders, and putting zonal restrictions on the internal movement of food grains.

In addition to food grains, cotton and sugarcane are other agricultural commodities subject to government price control. Floor and ceiling prices are fixed annually for the principal indigenous varieties of cotton. During the 1956-57 cotton season, prices rose sharply, and the Government of India was forced to take drastic measures to keep prices from going above the officially fixed ceilings. Steps taken include the banning of cotton exports, arranging for larger imports of foreign cotton, fiscal restrictions on futures trading in cotton, and requisitioning of internal cotton stocks. Minimum prices for sugar-cane delivered to mills are fixed by the government a year in advance in order to enable growers to plan their production programs.

The Indian Parliament passed on June 1 the Essential Commodities (Amendment) Bill conferring special powers on the government to check the rise in prices and to discourage hoarding of food grains. The amended legislation enables the government to requisition food stocks hoarded by "big stockists" in any part of the country on payment of the average market price prevailing in that area during the 3 preceding months. Under the original law, the government had powers to requisition stocks only on payment of the market price prevailing on the date of acquiring the stocks.

Production and market regulations. --Government controls over the domestic production and marketing of agricultural commodities in India are of an indirect rather than a direct nature. There are no restrictions or controls over the acreage devoted to individual crops except that in some areas farmers are required to plant a certain acreage to wheat as a condition for receiving irrigation water.

Some supervision has long been exercised by local authorities over markets in their jurisdiction. More systematic regulation by the State is relatively recent. Only about half the States appear to have passed legislation for regulating markets. The object of establishing regulated markets is mainly to counteract evils such as unauthorized market charges and incorrect weights and measures. While standards of marketing have improved in the relatively few regulated markets which have been established, a number of malpractices still exist. Close supervision and regulation of futures trading are exercised by the Forward Markets Commission.

Indirect Aids

Rural credit and cooperatives. --Inadequacy of financial resources and absence of timely credit to farmers at reasonable rates of interest are major factors responsible for the relatively low production in India. Because of the lack of credit, many farmers, even though otherwise willing, are unable to purchase improved seeds, fertilizers, and better implements or to introduce better farming techniques. The moneylender, still the principal source of rural credit, has in some instances been forced out of business by new credit laws passed by the State Governments, and no alternative machinery has been created to take his place. Also, land reforms and the constant threat of drastic changes have discouraged the extension of credit by landlords.

A committee appointed by the Reserve Bank of India in 1951 conducted an extensive survey of the rural credit situation in India and recommended the development of rural credit through an integrated system aimed at developing cooperative credit combined with cooperative processing and marketing. This recommendation was accepted as official policy by the Government of India in 1955.

To facilitate the participation of the State in the cooperatives, the Reserve Bank has established a national Agricultural Credit Fund, which is expected to have a capital equivalent to $74 million by April 1961. The fund will provide loans to the State Governments to enable them to participate in the cooperative credit institutions. A second fund, known as the National Cooperative Development Fund, will render financial assistance to States for participation in noncredit cooperative institutions. It will also provide assistance toward the construction of warehouses and the training of cooperative personnel.

Community development and extension. --The Government of India expects the Community Development and National Extension Programs to bring about changes in agricultural production practices that will result in a high percentage of the increase in production contemplated under the Second Plan.

Although these programs take into consideration rural life in its entirety, they are essentially agricultural education extension programs such as are found in the United States and many others of the more highly developed countries. The fundamental concept of the Community Development Program is to arouse in the people a consciousness of their own condition and to develop in them a desire for self-help. Active assistance is given by the government through technical aid and guidance and by grants of money to finance certain approved community projects.

Irrigation.--Largely as a result of government projects, the total area under irrigation in India was increased from 51 million to 67 million acres over the period of the first Five-Year Plan. An additional area of 21 million acres is expected to be brought under irrigation by March 1961.

Fertilizers.--The use of fertilizers is being pushed, and the consumption of nitrogenous fertilizers, both imported and domestically produced, is expected to increase from an estimated 145,000 tons of nitrogen in 1955-56 to 400,000 tons by 1960-61. The present domestic production of fixed nitrogen, about 76,000 tons, is expected to go up to 325,000 tons by the end of the second Five-Year Plan. At least four new fertilizer plants--to be located at Nangal, Neiveli, Rourkela, and Bombay--are being planned by the Government of India. Plans for the plant at Nangal in the Punjab are the most advanced, and the Nangal Fertilizer Company, Ltd., a semiautonomous government agency, has been established to supervise the plant's construction.

Little phosphatic fertilizer is used in India; 1955-56 consumption as P_2O_5 was only 12,100 tons. It is anticipated that this will go up to 120,000 tons by the end of the second Five-Year Plan.

Land reclamation.--During the second Five-Year Plan it is proposed to reclaim 1.5 million acres of land and to carry out land improvement measures on an additional 2 million acres through the Central and State Tractor Organizations and other agencies and through manual labor of individual cultivators. One tractor training center has been established at Bhopal in Madhya Pradesh State and one additional center is planned to provide adequate opportunities for training tractor mechanics and drivers.

Foreign assistance.--In carrying out its agricultural and other development plans, India has in recent years been receiving substantial external assistance. In fact, the country's development policy is based on the assumption that a considerable amount of foreign assistance will be made available. A majority of this aid has gone for nonagricultural development, but a considerable portion has been of direct or indirect aid to the country's agriculture.

During the period of the first Five-Year Plan, the United States made available some $308 million of development and technical assistance. In addition, a wheat loan of $190 million was provided in 1951-52. Total United States aid to India during the First Plan was therefore $498 million, or an average of nearly $100 million a year. In connection with the First Plan, the International Bank for Reconstruction and Development authorized loans to India totaling approximately $125 million. During the First Plan the Colombo Plan countries of Australia, Canada, New Zealand, and the United Kingdom authorized approximately $100 million for use in Indian Development Programs.

Large external aid is continuing to be received. The United States Government continues its economic and technical aid program. In August 1956 an agreement was signed for the sale to India of $360 million of surplus United States agricultural commodities under PL 480. This sale, covering a 3-year period, is providing additional foodstuffs needed for increased consumption and to stem inflation. Some $234 million of the rupee proceeds are to be loaned to India for carrying out economic development and multilateral trade projects. A grant of $54 million will be given for similar purposes.

Other rather certain sources of foreign governmental aid during the second Five-Year Plan period are (1) the Soviet Bloc, which has agreed to extend credit totaling $250 million, and (2) Colombo Plan countries whose assistance is estimated at $100 million.

The Indian Government is showing increasing interest in fostering foreign private investment and anticipates that more than $200 million of private foreign investment will be forthcoming under the Second Plan.

PAKISTAN

Dependence on Trade in Farm Products

Pakistan is primarily an exporter of agricultural raw materials and an importer of manufactured goods. The annual volume of trade has been running some $350 million to $400 million each way. Raw jute is the No. 1 earner of foreign exchange; raw cotton is second. Together they make up three-fourths of total earnings from exports. Hides and skins, wool, and tea account for most of the remainder. The United Kingdom, Japan, and India are the leading export outlets. Usually around 6 percent of total exports go to the United States.

The traditional agricultural import needs are tobacco, sugar, and vegetable oils, but in several recent years food grain imports to the extent of several hundred thousand tons have been necessary. Some longer staple foreign cotton is now needed for the better-quality cloth manufactured in the greatly expanded textile industry. Flue-cured tobacco is usually the only agricultural item imported from the United States for dollars. However, a substantial volume of food grains and a few other items have been received in recent years under various United States Government programs.

Policy Goals

The economic and social objectives of government policy include the rapid development of resources to promote the welfare of the people, more adequate living standards and social services, social justice and equality of opportunity, and the widest and most equitable distribution of income and property.

Pakistan's first Five-Year Plan (April 1955-March 1960) was released in May 1956. It calls for increased production of practically all crops. The farm production policy is based on the desire for a higher level of consumption for a larger population, the growing raw material needs of domestic industry, and the pressing need to boost exports to increase foreign exchange earnings. Although new areas are expected to come under cultivation, more than half of the hoped-for increases in production must be brought about by increasing per acre yields. A substantial government subsidy on fertilizers is one of the means used to achieve higher yields.

Regulation of Foreign Trade

Pakistan's foreign trade is controlled by means of quotas and licensing. Import tariffs are used to protect domestic industry and to earn revenue for the Pakistan treasury. Export duties are maintained on jute and cotton and are an important source of revenue. As a member of the British Commonwealth, Pakistan grants certain tariff preferences to other members and in turn receives certain preferences from other Commonwealth countries. Trade agreements play a part in determining the volume and direction of trade.

A sharp drop in foreign-exchange earnings in 1952 forced the government to modify its import policies. The Open General Licenses system was abolished and import controls instituted on all commodities. A ceiling was established for each commercial importer based on the average of his imports between July 1950 and June 1952. Every 6 months the Chief Controller of Imports and Exports distributes the available foreign exchange for a particular commodity among importers in proportion to their ceiling. For industrial users, available foreign exchange for a commodity is distributed among industrialists in proportion to the installed capacity of their factories.

Leading agricultural imports--wheat, rice, and sugar--are imported on government account. However, the policy is to leave export trade in farm products in private hands.

Government policy is to encourage diversification and expansion of exports by permitting exporters of certain items to retain part of the foreign-exchange receipts for imports without regard to existing quotas.

Internal Market and Price Regulation

Direct price supports for farm products do not exist in Pakistan. However, indirect supports are available for wheat and rice in the form of fixed procurement prices that the government will pay for these food grains. These are arbitrary prices set by the government to encourage the marketing of grain needed for rationing. These procurement prices vary from year to year depending upon food grain availabilities.

Under prevailing circumstances of recurring food shortages, the government's food grain policies are mainly directed toward meeting the consumption requirements of the people. The policy is to procure domestically as high a percentage as possible of the food grains needed for internal rationing to consumers.

Recent government action, taken to accomplish this, includes raising the procurement price to what the government hopes will be an attractive level to producers and traders, placing bans on the internal movement of food grains, setting up monopoly buying agents, and prohibiting exports.

Pakistan's jute policy is guided by two factors: Safeguarding the position of jute in the world fiber market and ensuring the cultivators a fair return for their produce. To effectuate this policy, the government fixes a certain percentage of the cultivatable acreage of East Pakistan for jute production, and this area is further regulated by the issuance of licenses to jute growers. All activities of the government pertaining to the regulation of the jute crop, the marketing of jute, and the eradication of malpractices in the jute trade fall within the jurisdiction of the Jute Department, established by the Government of East Pakistan in 1956.

Indirect Aids

The government's policy is to provide adequate credit for cultivators, but to date this has not been accomplished. Sources of rural credit, always highly inadequate, received a serious setback at the time of partition, as many moneylenders migrated to India. To help overcome this situation, the Agricultural Development Finance Corporation was established in 1952, but owing to legal restrictions on its operations and to administrative difficulties, its influence on the rural credit situation has been insignificant. In view of this, the Pakistan Parliament recently enacted the "Agricultural Bank Act, 1957" which provides the authority under which an agricultural bank will be established to afford credit facilities to agriculturalists with a view to increasing and improving production.

Over the past 2 decades, the relative burden of farm real estate taxes has progressively declined, as price rises have not been accompanied by a corresponding increase in the rate of land taxation. The policy seems to be shifting toward bringing taxes more in line with their historical relationship to land values.

Pakistan's goal of providing an adequate education for its people has not yet been realized. However, there are several established and widely recognized agricultural colleges. An educational program among the masses is just beginning.

The Village Aid Program is one of the principal means by which Pakistan expects to carry out its policy of increasing agricultural production. The program is designed to help the villagers solve their individual and community problems, and aims at coordinating the resources of the government and the people in an effort to reconstruct village life. It is built around 9 institutes, each training 60 to 120 village workers a year. At the end of his training, each Village Aid worker is assigned to serve a small group of villages working with people on their farming and other problems.

A large development program of irrigation and land reclamation was already under way in Pakistan in 1955, and the policy is to continue this program during the period of the first Five-Year Plan and beyond. According to the plan, in the 5-year period between 1955 and 1960, some 5 million acres are to be provided with new or improved irrigation, and another 2 million acres are to be improved by drainage canals and flood control measures or reclaimed from salinity and waterlogging.

Pakistan's first Five-Year Plan calls for a total development expenditure equivalent to $2,442 million during the plan period ending March 31, 1960. Financing from domestic sources is expected to be available to the extent of $1,558 million, leaving a gap of $884 million to come from foreign sources. The Planning Board estimates that foreign investment will reduce this gap by about $84 million, and the hope is expressed that the balance of $800 million may be made available in the form of foreign grants and loans.

Considerable foreign assistance in the form of grants and loans has been forthcoming in recent years, mostly from the United States. Substantial assistance has, however, also been received from the Colombo Plan countries. Technical assistance from United Nations agencies has been of significance. All these sources of external assistance are expected to continue in some degree during the period of the Five-Year Plan.

OCEANIA

Although Oceania has only 4 percent of the world's population, it supplies about 12 percent of the farm produce entering world trade, the bulk of it being exports from Australia and New Zealand. In 1956, United States agricultural exports to all Oceania totaled $34.5 million; United States imports during the same period amounted to $108.6 million.

Roughly two-thirds of the wool and 50 percent of the butter entering the world market each year originates from these two countries. New Zealand is the largest meat exporter and the second largest cheese exporter in the world. Australia is the fourth largest wheat producer and exporter, and Australia and Fiji combined produce about 6 percent of the world's sugar. Most of the exports from this area are highly competitive with United States agricultural production.

From a policy standpoint, Australia and New Zealand have a number of things in common. Both countries emphasize production for export to the United Kingdom and other Commonwealth and soft-currency countries because of membership in the sterling bloc, preferential tariffs, and shortages of dollar exchange. Both countries need greater capital investment in agriculture to achieve long-range expansion programs. The production of agricultural commodities in both countries is stimulated by price guarantees and other forms of assistance to farmers. Marketing of most agricultural commodities is controlled by quasi-governmental marketing boards.

AUSTRALIA

Dependence on Trade in Farm Products

Australia's economy is extremely dependent upon the production and exports of its agriculture. The population of over 9 million has increased by one-third since 1938 and is steadily rising.

Eighty percent of the trade revenue is derived from the sale abroad of wool, wheat, dairy products, meat, fruits, and raw sugar. Wool, alone, accounts for about 50 percent of total export earnings and wheat about 10 percent. Agricultural exports for the year ending June 1956 amounted to approximately $1.4 billion. Imports of agricultural products for the same period were valued at only $82 million.

In recent years Australia has encountered serious balance-of-payments difficulties as the result of wide fluctuations in agricultural prices, particularly for wool. Imports of heavy machinery for large-scale development programs and manufacturing raw materials have tended to counterbalance export earnings.

Favorable wool prices, larger shipments of wheat and other commodities, and the effects of tighter import controls initiated in 1956 a markedly improved balance-of-payments position during the 1956-57 season. As the result of this improvement, import controls were relaxed substantially as of January and April 1957.

The United Kingdom is the primary trade outlet for agricultural exports; it takes 35 to 40 percent of the total. For almost 20 years, agricultural trade with the United Kingdom was channelized through bulk-trading arrangements, and some commodity agreements are still in effect. Australian exports also enjoy preferential tariff treatment in the United Kingdom market. This close linkage with the United Kingdom makes it difficult for some commodities to compete in markets outside the Commonwealth or sterling bloc countries.

Policy Goals

An expanded agricultural production program is now being implemented through government policies adopted in 1952. As originally planned the program provided for increased output of wheat, lambs, oats, barley, tobacco, and linseed, and small increases in beef and milk. With the exception of wheat, production increases for most commodities have been larger than anticipated, and the overall agricultural production in 1957-58 is expected to be 27 percent above prewar. Official planning also includes a 20-percent increase in export income from 1955 to 1970. This expansion policy arises from the need to achieve greater trade equilibrium and help defray the high costs of the long-term development projects now under construction. Producers' organizations play prominent roles in the formulation of Commonwealth agricultural policy, which is coordinated by an Agricultural Council. Final approval of internal policy legislation rests with the various State Governments.

Regulation of Foreign Trade

Australia's foreign trade is regulated by tariffs, import licenses, bilateral arrangements, and mixing regulations; the regulation is designed to operate within the provisions of GATT.

The tariff provisions are complex. Preferential tariffs govern the trade with Commonwealth countries, while most-favored-nation rates are maintained on imports from other countries to protect domestic industry. Extra valuation charges, known as primage duties, are also levied on some commodities in addition to the regular duty rates. Special bylaw regulations may be imposed by the Prime Minister to permit free imports of essential items for defense or industry, whenever the government deems such action necessary.

Imports are strictly licensed by the government to conserve foreign exchange (chiefly dollar currency), and to adjust balance-of-payments fluctuations. This action sometimes protects domestic industry, too. Agricultural commodities are also subject to export-permit control. This is a feature of the government's regulated marketing through commodity boards and is also used to control stocks of commodities in short supply.

Bilateral and multilateral marketing arrangements for agricultural products have long been a feature of Australia's trade. Australia is obligated to sell the bulk of its exportable surplus of meats to the United Kingdom until 1967. Under this agreement, the United Kingdom is obligated to make deficiency payments to the Australian Government when the price of Australian meat in the United Kingdom market falls below certain minimum levels established in the agreement. Sugar is produced in Australia and exported on a fixed quota basis under the provisions of a Commonwealth Sugar Agreement. Recent agreements assure Australia of a market in the United Kingdom for 28 million bushels of f. a. q. soft wheat for the next 5 years, and a market in Japan for approximately 7.5 million bushels of f. a. q. soft wheat for the next 3 years. Australia is also obligated each year for the export of 30 million bushels of wheat under the International Wheat Agreement. As administrator of Papua and New Guinea, Australia administers a copra agreement with the United Kingdom which provides for the United Kingdom to purchase the entire exportable surplus of this commodity from those island areas until the end of 1957.

Exports are also aided by an export guarantee scheme which was legislated in 1956. When this plan is implemented, exporters will be able to insure their goods against loss and nonpayment up to 85 percent of value. The plan will be financed from insurance fees and payments guaranteed by the Commonwealth Government. In addition in 1956 and 1957, funds were appropriated for numerous foreign trade missions and demonstrations of Australian food products abroad.

On the import side, Australia has maintained for several years a trade agreement with the Federation of Rhodesia and Nyasaland, which provides for specified amounts of tobacco leaf to be imported by Australia each year with a special tariff preference of 9d

(8 cents) per pound. In return the Federation grants special concessions on wheat, dairy products, and tallow from Australia.

Special import legislation exists for two agricultural commodities, tobacco and cotton, and influences the imports of both. Unmanufactured tobacco has been subject to a mixing regulation since 1936 and was negotiated into the tariff under GATT in 1947. At that time the amount of domestic leaf that processors were required to mix with the imported leaf in the manufacture of cigarettes in order to receive a 1/6d (17 cents) per pound duty reduction was 3 percent. Since then this percentage has been increased several times, and it has recently been raised to 14.5 percent effective July 1, 1958. The percentage of local tobacco leaf which must be used in the manufacture of smoking tobacco after July 1958 will be 22.5.

The last revision of the custom bylaw governing raw cotton imports occurred in May 1956. This action reimposed the tariff of 1-1/2 d. (1.3 cents) per pound on raw cotton and provided that spinners could exercise the bylaw privilege of securing cotton free of import duty, only after they had taken up local stocks of the domestic product.

Internal Market and Price Regulation

All of the major agricultural commodities except wool are subject to marketing board control for either domestic or export sale. Wool is marketed through private channels and by auction.

Wheat is marketed under the provisions of a Wheat Stabilization Scheme revised in 1954. Effective through November 1958, producers receive a guaranteed price equal to the cost of production for wheat used domestically and for an established export quota of 100 million bushels. Domestic market prices are fixed at either 14s. (13 cents) per bushel or the ruling International Wheat Agreement price, whichever is lower, provided neither price falls below the estimated cost of production. In addition, farmers receive extra payments based on profits made by the Board on its sales in both domestic and export markets. The Australian Wheat Board is the sole marketing authority for local sales of wheat and for all wheat and wheat flour exports. The Stabilization Fund is financed by a tax on all wheat exports when the export market price exceeds the cost of production. The maximum amount of this fund cannot exceed £A 20 million ($45 million) and refunds are made to producers if the fund at any time exceeds this maximum figure. If the Stabilization Fund proves inadequate to pay for the differential between the export price and the season's cost of production on the 100-million-bushel export quota, the payments will be made from the Commonwealth Treasury.

Dairy products are marketed through a new 5-year Diary Stabilization Scheme, beginning July 1, 1957, which provides for guaranteed prices on butter and cheese based on costs of production. The price guarantee applies on an amount equal to 120 percent of domestic consumption. The government pays subsidies on domestic sales and on the guaranteed portion of export sales for the difference in the prices received for processed products and the guaranteed price paid to farmers. Profits realized on butter and cheese exported at prices above the guaranteed price are diverted to the Stabilization Fund for expenditure by the dairy industry. Until the amount of the final payment is determined at the end of the marketing season, processors and farmers receive an interim equalization or estimated average export price. State milk boards fix prices to farmers for fluid milk and cream sold in the major local markets.

Indirect Aids

Farm credit facilities in Australia are not as well organized to meet agricultural needs as in other agriculturally developed countries. Aside from private lenders, such as banks, insurance, and trustee companies, long-term loans are supplied by the Mortgage Bank Department of the Commonwealth Bank and State-controlled agricultural banks. Short-term and medium-term credit is limited primarily to loans made by private banks, stock and station agents, wool brokers, hire-purchase companies, machinery firms, merchants, and storekeepers. The only government-guaranteed loans are those made by the Federal Government to ex-servicemen under the provisions of the War Service Land Settlement Scheme and limited special loan schemes financed by State Governments.

An additional curb to capital availabilities for farmers resulted from the government's policy of restricting all types of credit on March 1956. This decreased farm loans by about 10 percent in 1956-57, and there is no indication that credit relaxations will be forthcoming in 1957-58.

Income taxes are high but tax concessions are provided for farmers. In 1956, legislation was amended permitting farmers tax allowances on capital expenditures until 1960.

Extension services are the direct responsibility of the various States. Commonwealth government participation is limited to grants on subject matter covered by specific legislation. In 1956-57, grants totaling $1.2 million were made from Commonwealth funds for various livestock, dairy, and pasture demonstrations throughout the country. Separate experimental farms have been set up by the State Departments of Agriculture in each State. The results from the experiments and research performed on these farms are transmitted to farmers by demonstration sessions conducted by agricultural extension officers of the various State Departments of Agriculture and through technical publications.

Agricultural education facilities consist of colleges administered by the State Departments of Agriculture and agricultural departments of the nine State universities located in five States and in Tasmania. Agricultural colleges are located in each State except Tasmania. The primary function of these colleges is to train students in practical phases of agriculture and livestock husbandry as well as classroom theory. These colleges also concentrate on agricultural research and experimentation and to a lesser degree perform some extension work.

Most of the fundamental agricultural research is either directed or performed by the Commonwealth Scientific and Industrial Research Organization. The projects undertaken by this organization extend over a wide range of commodities and subject matter and are performed at stations situated throughout Australia. The organization is financed from funds derived from manufacturers, commodity boards, and Commonwealth grants. Its research is more technical than that performed at the State Department of Agriculture farms and at the university level. New research schemes financed jointly by the Commonwealth Government and industry are planned for wool, barley, wheat, stone fruits, and tobacco.

Australia is currently constructing large-scale irrigation projects which are expected to be completed about 1960. At that time, irrigated areas in Queensland, Victoria, and New South Wales will be substantially enlarged. In Queensland it is contemplated that most of the new acreage will be used for the expansion of tobacco and pastures. In the other two States, it is possible that irrigation will be used in the expansion of rice, fat-lamb pastures, and fruits.

Foreign assistance to agriculture has been of two types. In recent years dollar loans have been secured from the World Bank, and portions of these loans were utilized in the importation of essential equipment and machinery for agricultural development. Substantial financial investment has also been made by private United States investors in two development projects, one in the Northern Territory for the promotion of rice production and the other in the Esperance area of western Australia for the development of grains, pastures, and livestock.

NEW ZEALAND

Dependence on Trade in Farm Products

New Zealand is the world's largest exporter of cheese, lamb, and mutton, and the second largest exporter of butter and wool. Farm products account for more than 90 percent, by value, of this country's total export trade, and agricultural output accounts for about one-third of the gross national income. New Zealand has the capacity to produce most of its food needs, but government and farm leaders emphasize production of animal products for export.

The major portion of agricultural exports are consigned to the United Kingdom. France, the United States, and Germany have been the next largest markets for New Zealand products in recent years.

Agricultural exports to the United States, by value, average about $45 million per year and consist chiefly of wool and hides and skins. From the import side the United Kingdom supplies about 50 percent of total imports, principally manufactures. Australia is the major source of agricultural imports, namely wheat, rice, raisins, canned and citrus fruits, and raw sugar. Canada and the United States are the other important suppliers. The chief agricultural import from the United States is tobacco leaf, which makes up about 98 percent of New Zealand's total imports of that commodity.

Policy Goals

In agriculture, emphasis is placed on livestock production, with wool, dairy products, and meats predominating. At present about 40 percent of the total agricultural output is consumed domestically by the 2.2-million population. At the present rate of growth it is expected that the population will total 3 million by 1970. With this prospect in view, the New Zealand Government has adopted a policy of greater intensification of agriculture through improved production techniques and increased land development. It is planned to reclaim about 2.4 million acres of unused, privately owned, and government-owned lands. Most of this reclamation will be achieved by aerial fertilizing, seeding, and fencing of mountainous areas for the production of livestock. By this means New Zealand hopes to expand agricultural exports and fulfill future consumption requirements for both domestic and imported products. Overall farm policy reflects the strong influence of the Federated Farmers, a national farmers' union.

Regulation of Foreign Trade

New Zealand maintains a multi-column tariff. Generally speaking, a fairly low tariff is set on British and other Commonwealth goods. As a member of GATT, New Zealand applies a higher most-favored-nation rate to the United States as well as to other GATT countries with which it has concluded most-favored-nation agreements. A still higher general rate applies to other countries, particularly Japan and the USSR.

Import licensing procedures, in effect since the late 1930's, are in force ostensibly to conserve foreign exchange, particularly dollars, but they also serve to protect domestic industry. About 80 percent of imports from nondollar sources are now freed from licensing; generally only those commodities not readily available from sterling or soft-currency sources of similar quality, grade, price, and availability can be imported from dollar countries. A few relaxations have been adopted for agricultural commodities from dollar areas; namely, tobacco, dried prunes, and turpentine.

New Zealand and the United Kingdom recently concluded a trade agreement which revises the Ottawa Agreement of 1932. The major provisions include (1) a 10-year unrestricted market in the United Kingdom for New Zealand butter, cheese, dried milk, casein, and chilled and frozen pork, and (2) an annual consultation concerning each country's agricultural and marketing policies in an effort to eliminate any factors which might operate to the disadvantage of either government.

Internal Market and Price Regulation

Practically all agricultural products for export and domestic use are subject to regulation and marketing control by quasi-governmental marketing boards or commissions. These organizations fix prices, establish quality and packaging standards, and, for dairy products and fruit, actually market the product. Locally, farm produce is distributed through cooperatives and private firms, but both channels are subject to the jurisdiction of marketing boards.

Marketing of dairy products, particularly butter and cheese, is subject to price stabilization arrangements. Price guarantees are based on such criteria as costs of production, overseas market prices, and export and domestic prices of other farm commodities. Under controlled marketing, the dairy processors receive fixed prices for butter and cheese marketed by the Dairy Products Marketing Commission or its representatives. The processor, usually a cooperative organization, in turn reimburses the farmer for his butterfat. Profits realized from export sales prior to 1951-52 were paid into a Dairy Industry Reserve Fund and utilized in payments to processors and farmers in the equalization of the local market price and the fixed export price of butter. Since 1952 amounts realized from export sales above the guaranteed price have been distributed in end-of-season payments directly to processors and farmers for capital expenditure in the industry. The commission is empowered to pay processors of butter and cheese the difference between a fixed export price and the local market price. Should the Dairy Industry Reserve Fund become exhausted, these payments must be made by the Dominion Government. If the local sales price is higher than the export price, the commission collects the amount of the price differential from the processor for deposit in the Dominion Treasury.

Prior to the adoption of amended legislation late in 1956, the Dairy Products Marketing Commission exercised full price-fixing powers. As a result of Parlimentary Action in 1956, floor prices for the new season, beginning August 1, 1957, will be set by a special committee of producer and government representatives in accordance with the criteria outlined above. The new legislation provides that in ensuing years the floor prices shall not be set at less than 95 percent of the market price received during the previous season. The fixed prices need no longer remain constant during the season, but may be subject to upward adjustment if marketing conditions and returns warrant. Additional end-of-season payments to farmers, if market prices exceed the fixed price guarantees, are mandatory under the new legislation; this feature was made retroactive to the past marketing year. Marketing schemes also exist for meats and apples and pears.

Wool is sold at auctions, but floor prices for each grade and type are also established each year, and become effective if auction prices fall below the floor price levels. If this condition arises, the Wool Commission is authorized to bid in the wool at auctions, and pay producers from reserve funds to the amount of the floor price.

Domestic and imported wheat supplies are controlled by a Wheat Committee. The price of wheat to millers is supported by a direct government subsidy. However, the fixed price to producers in recent years has not been attractive enough to farmers to cause a shift from wool production to wheat, except when grain cultivation is necessary to promote pasture rotation.

Tobacco is one of several crops grown in New Zealand on a contractual basis between growers and processors. Actual disposal of the domestic and imported tobacco leaf is handled by a Tobacco Board. A mixing regulation requirement facilitates the Tobacco Board's disposition of the domestic leaf to the processor. The minimum percentage of local leaf that manufacturers must use is set at 30 percent. The actual percentage of domestic leaf used has varied from 36 to 41 percent in recent years.

Indirect Aids

Farmers are granted an initial deduction of 30 percent on the cost of all farm equipment or new buildings added to the farm in any year. Tax allowances are also honored for all expenditures on land development, such as past eradication, land clearance operations, swamp drainage, and digging irrigation ditches.

Numerous long-term and short-term loan facilities are available to farmers, but the actual volume of long-term loans secured from private sources is comparatively small because (1) interest rates are high, (2) credit is generally tight, and (3) there is a certain reluctance by lending institutions to make farm loans unless backed by gilt-edged securities. The bulk of the long-term credit extended to farmers since World War II has consisted of government appropriations for the promotion of a nation-wide rehabilitation scheme for ex-servicemen.

Short-term loans are more readily available from dairy cooperatives and commercial banks, which also allocate funds for farm loans through livestock and station agents. Small loans are also extended to farmers by the government for land development, road building, drainage and irrigation projects, storm damage to crops and livestock, and transport-cost reimbursements for deliveries of lime to the farm.

New Zealand's extension services are highly developed. Nearly every farmer has access to extension agents, who serve in about the same capacity as United States county agents. Agricultural research is under the direction of the Department of Agriculture and the Department of Scientific and Industrial Research through specialized institutions located throughout the country.

Formal educational facilities are limited to two agricultural colleges, Massey at Palmerston North in the North Island and Canterbury at Lincoln in the South Island. Both schools emphasize post-graduate curricula with students receiving their 4-year prerequisite courses at various branches of the University of New Zealand. Two additional types of instruction are also offered in these colleges: (1) 2-year agricultural courses for students completing secondary school training, and (2) refresher courses of only a few weeks' duration stressing agricultural demonstrations rather than academic subject matter.

Practical interest in agriculture at the elementary level is stimulated by group instruction in boys' and girls' agricultural clubs, similar to the United States 4-H Clubs, sponsored by the Federated Farmers.

Water power for electricity has a great potential in New Zealand and is highly developed in North Island. As a result New Zealand has a large percentage of electrified farms, which has increased the efficiency of dairying and sheep shearing. A comprehensive plan for the development of the South Island's great hydroelectric potential has just been adopted.

AFRICA AND THE MIDDLE EAST

Agriculture plays a dominant role in the economies of West Asia.[7] It is the most important source of wealth, aside from oil in a few countries, and earns the largest portion of foreign exchange. Agricultural items account for 65 percent to 90 percent of the value of exports, excluding oil. These consist mainly of bread grains, rice, cotton, dried fruits, nuts, coarse wool, hides and skins, citrus, and tobacco. In contrast agricultural imports are relatively insignificant in the major producing countries--Turkey, Iran, Iraq, and Syria--and of tea, coffee, sugar, and bread grains in drought years. The other countries are regular importers of basic food items.

Total United States exports to West Asia amounted to $490 million in 1956, with agricultural items accounting for $115 million, or 23 percent. Comparable figures for United States imports were $374 million and $103 million, or 28 percent. The agricultural exports consisted mainly of grains (56 percent), followed by fats, oils, and oilseeds, and dairy products. They went mostly to Israel (42 percent) and Turkey (31 percent) owing mainly to drought conditions. United States agricultural imports consisted mostly of wool (31 percent) and tobacco (41 percent), with Turkey supplying 50 percent of the total.

The policy goals of West Asia are (1) rapid and long-range development of agriculture as the major base for economic development, (2) development of complementary industries, mainly textiles and food processing, depending heavily upon hydroelectric power, (3) maintenance of markets for traditional exports, and development of new exports, as major sources of foreign exchange, (4) increase in the consumption of food and fibers, with maintenance of self-sufficiency in basic items, and (5) slow, long-range development at the grassroot levels, including agricultural research, training, extension, institutional organizations, and agrarian reforms.

Regulation and control of foreign trade have been directed at the encouragement of exports. Outstanding examples are (1) exclusive or dominant commodity purchases by government agencies or monopolies, (2) control of exports through cooperatives, (3) application of export permits, (4) payment of export premiums, directly or indirectly, and (5) bilateral or barter trade agreements.

Domestic control of markets and prices for farm products is a dominant policy feature. Prices of basic commodities are fixed by government or semiofficial agencies. Bread grains, tobacco, cotton, sugar, and certain dried fruits are the major items covered.

Indirect aids to agriculture have been relatively limited. Agricultural banks and credit cooperatives are expanding, however. Agricultural research and education are on the increase, and firm beginnings in extension have been made. Training of personnel locally and abroad is accelerating. The need for agrarian reform measures is recognized, and some countries have embarked upon promising programs in this field. Each country has under operation an agricultural development plan. Most of the countries have received and are receiving technical and economic aid from the United States and technical aid from the United Nations.

The agricultural trade balance of Africa with the United States has been heavily in favor of Africa. The reverse has been true for total trade. United States exports to Africa in 1956 totaled $652 million, of which agricultural items accounted for $121 million, or 19

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[7] West Asia includes Turkey, Iran, Iraq, Syria, Lebanon, Jordan, Israel, Cyprus, and countries of the Arabian Peninsula. Individual policy statements are included for the first three countries.

percent. United States imports totaled $587 million, of which agricultural items accounted for $313 million, or 53 percent. United States agricultural exports consisted mainly of grains and preparations thereof (56 percent); fats, oils, and oilseeds (18 percent); and tobacco (10 percent). Egypt took 40 percent of the total, the Union of South Africa 11 percent, and Morocco 8 percent. United States agricultural imports from Africa consisted mostly of cocoa and coffee (65 percent) and rubber (13 percent). There was no significant concentration by country, except for cocoa from Nigeria and Ghana.

The economies of Egypt, Libya, Tunisia, Algeria, and Morocco are similar to the West Asian economies in many basic respects. Agriculture is dominant and constitutes the major source of foreign exchange. The policy goals of the North African governments, their agricultural price and trade regulations and controls, and their plans for development are similar to those of West Asia.

The situation in Africa below the Sahara is quite different. Agriculture here, although important, is not as dominant. Mineral resources are abundant, including diamonds, gold, uranium, copper, and iron, and are dependable foreign-exchange earners. This region produces large surpluses of tropical crops which find ready markets in Temperate Zones. Leading items are coffee, rubber, cocoa, peanuts, palm nuts and oils, tropical wood, and sisal.

The physical and climatic features of this region and its close political association with European countries have brought into prominence the following policy goals: (1) Expansion of markets for the traditional specialty exports, (2) production of items that are especially needed in the related European countries, (3) production of items for increased interterritorial trade, (4) diversification of crops, to increase and improve consumption among the African peoples.

Various controls are maintained on internal markets and prices, aimed at supporting exports and meeting the needs of related European countries. Indirect aids to agriculture include extension, training, and research--in general, aimed at supporting the production of export crops. More recently these services are being increasingly extended to the African population. Economic aid from non-European countries has not been substantial in Africa below the Sahara.

TURKEY

Agriculture plays a dominant role in Turkey's economy and way of life. The country is a producer of all its basic food, a few industrial crops, and livestock products. It can meet all of its needs in normal years, and offer some surpluses for export. About 45 to 50 percent of the gross domestic product comes from agriculture, in which about 75 percent of the population is engaged. Industrialization is developing progressively in the country, but is concerned primarily with the processing of agricultural items and is still at a relatively low level.

Dependence on Trade in Farm Products

Turkey depends heavily upon agricultural exports in its international trade. Agricultural items account for 81 percent (1956) of the total value of Turkish exports, in contrast with approximately 6 percent of the imports. Thus agriculture constitutes the major source of foreign exchange, which is utilized mainly for the economic development of the country.

Turkey's traditional exports are tobacco, dried fruits, nuts, mohair, carpet wool, and opium. Wheat, barley, and other grains have been exported during years of good cereal harvests and imported in poor years. Cotton exports increased from 1948 to 1953 but have fallen off in recent years. Agricultural exports of Turkey in 1953, 1954, 1955, and 1956 amounted to $334 million, $282 million, $259 million, and $246 million, respectively.[8] The United States bought 13, 15, 18, and 20 percent of these exports. The

[8]At 2.80 Turkish liras per U.S. dollar.

larger portions went mostly to European countries. In 1953 and 1954 the United States supplied only $1 million and $5 million worth of agricultural imports. In 1955 and 1956, the United States share rose to $29 million and $36 million, mostly in grains, which developed from crop shortages in Turkey.

Turkey has had an unfavorable balance of trade for the past decade. Total imports in 1954 and 1955 were $478 million and $498 million compared to exports of $335 million and $313 million for the same years. The trade deficit was made much smaller in 1956 by reducing imports other than grain which more than offset the decline in exports; imports were $407 million and exports were $305 million.

Policy Goals

Turkey aims at attaining two central objectives in its agricultural policy--raising the standards of consumption among the people and securing the maximum possible amount of foreign exchange, since it is needed for the economic development of the country. Hence the strong emphasis during the past 10 years has been upon increasing production and, when possible, exports of grains and cotton.

To attain these broad policy goals, Turkey has exerted great national effort, following a number of courses toward specific objectives. Outstanding among these have been intensified farm mechanization, rapid expansion of cultivated areas, propagation of improved techniques and methods of cultivation, price supports, export controls, and agrarian reform.

At the same time the authorities and private concerns have applied themselves to the development of complementary agricultural industries. Leading among these are textile manufacturing and sugar refining. In both cases highly successful results have been achieved. Most of the expanded cotton production is now being absorbed by the textile industry, and it is possible that none of it will be available for export in the near future.

The policy of expanded grain exports was rewarding and encouraging. In 1954, following bumper crops harvested in 1953, Turkey had a sizable export crop. Since then, Turkey has suffered from a series of years of low rainfall, and although harvests were larger than in the years prior to 1950, the rising domestic consumption forced the country to import substantial quantities of grains, principally from the United States.

Regulation of Foreign Trade

Tariffs on agricultural products, ranging from 5 to 50 percent, usually have little practical effect, as Turkey normally imports very small quantities of agricultural products (since January 1957 an import tax of 20 to 40 percent has been levied on consumer and investment goods in addition to the customs tariffs). Commodities imported for government use and disposal may be admitted duty free by action of the Council of Ministers. This action was taken to set aside the tariff on cereals imported from the United States under P L 480. Imports of agricultural products are severely restricted by specific import licenses and allocations of foreign exchange.

Export controls are of some significance in Turkey's foreign trade. The Toprak office, a state enterprise under the jurisdiction of the Ministry of Economy and Commerce, purchases directly all wheat and other major grains for export, as well as all raw opium gum. The government also exercises some control over exports of cotton, nuts, dried fruits, and olive oil through the unions of cooperatives. Other agricultural export items move through regular commercial channels although prices must be approved by the appropriate governmental agency. Through the issuance or withholding of export permits, the export of major products may be directed to certain countries and diverted from others. Thus, Turkey endeavors to pay off arrearages to countries of OEEC as members of the European Payments Union (EPU), by favoring shipments to these countries.

A large part of Turkey's trade in agricultural products is now covered by various types of bilateral agreements; however, Turkey is a member of GATT. Such agreements are in effect with Germany, East Germany, Italy, Yugoslavia, England, France, Czechoslovakia, Bulgaria, Japan, the Netherlands, Lebanon, and others, but not with the United States. These may take the form of a rather general agreement listing the products to be sold and bought, with perhaps some measure of quantities. Such agreements may be accompanied by payments agreements designed to keep trade in each direction in approximate balance; arrears agreements set up to pay off gradually Turkey's foreign exchange arrearages; and, more rarely, credit agreements, whereby other countries agree to furnish products to Turkey, with repayment expected through future exports.

The government pays export premiums on cotton, raisins, figs, fresh fruits, frozen meats, fresh vegetables, and certain other agricultural items. Premiums up to 75 percent of value are authorized, with highest premiums paid for exports to free dollar areas, next highest to sterling and EPU areas, and lowest premiums to other clearing agreement countries.

The Toprak office can export grains at prices below those paid producers. The loss is made up by the government and indirectly amounts to a subsidy. Unions of cooperatives, particularly for cotton (and in one year filberts), also may have their losses reimbursed by the government. The export subsidy allowed for cotton is 35 percent of value for that sold for free currencies, sterling, or EPU currencies. There is no export premium for tobacco and nuts.

Deblockage trading--a procedure by which foreign nationals holding Turkish currency may buy certain agricultural products for export and retain the foreign exchange obtained--is used as a means of encouraging the export of commodities which might not otherwise move in international trade.

Internal Market and Price Regulation

Grain prices are fixed in June of each year, and Toprak is required to purchase at these prices any wheat, barley, oats, rye, corn, or rice offered provided it meets certain grade standards. This tends to stabilize the market. The grower's sale to Toprak is entirely voluntary. No price differentials are made because of remoteness from ports or consuming centers, although premiums are received for production of certain crops in certain areas. Price is adjusted according to quality. In June 1957 the government increased support prices for grain: 33-1/3 percent were used for wheat (to $3.88 per bushel), 27 percent for barley and oats, and 28 percent for rye.

Prices for cotton lint are supported by the two unions of cotton cooperatives (45 cents per pound for Acala #1 in Izmir for 1956-57). This is passed on to the manufacturer for cotton used domestically, but losses are absorbed by the unions for cotton exported.

Prices are also supported for raisins, dried figs, olive oil, filberts, and pistachios.

The Tobacco Monopoly makes purchases at fixed prices for domestic manufacture. Prices paid to sugar beet producers by the Turkish Sugar Company are fixed by the Council of Ministers. Opium and tea are purchased at fixed prices. Prices are not supported or fixed for tobacco for export.

Grains for export (wheat, barley, corn, oats, rye, and rice) are monopoly purchases of the Toprak office. That office is the only purchaser and seller of opium. All locally grown tea is purchased by the Tea Monopoly.

A government monopoly purchases and manufactures all tobacco for domestic use. However, the export market is open. Sugar beets are sold under contract to the state sugar beet company. There are four semiofficial unions of farmer cooperatives which handle marketing for their members: one in the Aegean region for cotton, figs, raisins, and olives; one in the Chucrova delta for cotton; one for filberts; and one for pistachio nuts.

Regulation of production varies with the different crops.

The farmer who wishes to grow tobacco must apply in writing to the Monopoly Director in his Province. The farm is then inspected by a committee which determines the advisability of growing tobacco on the particular farm. During the production season, personnel from the monopoly will visit the fields from time to time and estimate the quantity and quality of tobacco to be produced. Every farmer must provide the monopoly with sales records of all tobacco sold.

The areas in which poppies may be grown for opium and poppyseed production are determined by Toprak and the Ministry of Agriculture.

Rice production is regulated as a public health measure in the control of malaria. Farmers wishing to produce rice must petition for permission. Rice fields cannot be within 500 yards of any house if continuous flooding is practiced.

For sugar beets, there are 15 factories in Turkey, and the director of each factory regulates production in his area. Farmers apply to the factory for permission to plant. In the territories of the 4 oldest plants there is no specified limit to the area one farmer may plant. In the territories of the 11 new plants there is established a maximum area that any one grower may plant, and contracts are by areas to force rotation of growers.

Indirect Aids

Agricultural credit in Turkey has increased almost tenfold in the past 10 years, to over 1.5 billion Turkish liras ($535 million). It is estimated that 75 percent of this is provided through the Agricultural Bank. Formed in 1888 from the merger of a number of small local cooperatives, the bank now has 480 branches and agencies and has made an effective contribution to the development of agriculture. About 76 percent of loans are short term (1 year), 16 percent, medium term (to 5 years), and 8 percent, long term (up to 20 years). Production loans, equipment and machinery loans, and land improvement loans are made at 7 percent per annum in amounts up to 50 percent of estimated cost to the farmer. Loans for developing orchards, vineyards, and the like are made at 3 percent in amounts up to 50 percent of estimated development costs. Loans to purchase land are at 3 percent in amounts up to 70 percent of value. The repayment of land purchase and development loans may be postponed for 3 to 7 years.

Next to the Agricultural Bank, farm cooperatives are the most important sources of agricultural credit. There were 1,425 of these cooperatives in 1954, and they supplied about 16 percent of the agricultural loans. The Agricultural Equipment Establishment, whose capital is provided by the government, supplies farmers with equipment on credit. Seeds from the state farms, and livestock and seed from experimental stations, may also be obtained on credit.

Turkey has attempted to check credit expansion. The Central Bank increased its discount rate from 3 percent to 4-1/2 percent in June 1955 and imports on credit were prohibited. A regulation committee has been established to control credit.

Farmers receive important indirect aid in the form of exemption from income tax. Taxes are assessed on land and buildings.

The level of literacy was very low when Turkey became a republic. However, the government has been much interested in improving education, and the number of schools has greatly increased; the goal is to have a minimum of 5-year primary education within geographic reach of every child. Secondary schools have also increased. There are now several technical agricultural schools and two agricultural colleges.

The government sponsors an agricultural extension service under the Ministry of Agriculture, with extension agents in most of the subprovinces. An excellent extension plan has been drawn up and is operating fairly well. Other agricultural agencies include experiment stations, state farms, seed improvement stations, and livestock breeding stations. There has recently been inaugurated a 4-K organization similar to the United States 4-H program to train the rural youth.

In 1945 an act for the reform of land tenure was promulgated, providing land for repurchase, settling immigrants, and resettling victims of natural disasters, and providing farmers with capital and equipment. The program has been implemented progressively and substantial areas have been distributed.

In the late forties Turkey embarked on a vast agricultural expansion program to increase production and exports and improve rural conditions. Almost 25 million acres of additional land were brought under cultivation. Area in cereal crops increased 75 percent and in industrial crops 138 percent between 1946 and 1956. This expanded area has raised the general production level. In addition, in 1951, 1952, and 1953, climatic conditions were exceptionally favorable so that there were sizable exports of grain and cotton in these years. However, in the following years, normal or less than normal rainfall, combined with other factors, has caused production to fall below the 1951-53 level. Coupled with increased domestic consumption of grains and cotton, this has resulted in Turkey's becoming an importer of grain; and exports of cotton have been drastically reduced.

From the initiation of United States foreign aid in 1948 to the end of fiscal year 1957, Turkey had received $526 million for economic development and defense support, $355 million in grants, $154 million in loans, and $17 million in conditional aid. (A large amount of military aid has also been granted Turkey each year.) Turkey also received $71.5 million of drawing rights in EPU as a result of United States aid. Technical assistance grants have amounted to about $2 million a year for a total of $14.9 million. A total of $113 million in economic aid funds and $2.6 million in technical cooperation funds had been programmed for agricultural development through 1956.

IRAN

Dependence on Trade in Farm Products

Iran is practically self-sufficient agriculturally, and imports little of an agricultural nature besides sugar and tea. Over the past 5 years, its agricultural exports, which constitute the principal source of foreign exchange after oil and carpets, have averaged about $70 million annually. This is 65 percent of the value of total exports, excluding oil. The chief farm products exported are cotton, rice, dried fruits, nuts, wool, goat's hair, skins and hides, and sausage casings.

In 1957 the USSR became the leading customer of Iran for these farm products. The United States was second, followed by Germany, France, the United Kingdom, and India. Iranian agricultural exports to the United States, which regularly include raw wool, hides and skins, casings, fruits, and nuts, totaled about $21 million in the calendar year 1955 and about $19 million in 1956. Agricultural exports from the United States to Iran for the calendar years 1955 and 1956 were valued at $4 million and $10 million, respectively. The increase was due mainly to purchases under Title I, P L 480, of wheat (about $5 million) and a small amount of butter ghee. Except in times of scarcity Iran is not a customer for large quantities of United States farm products.

Policy Goals

The agricultural policy of Iran was integrated with other aspects of a national policy for economic development through a Seven-Year Plan. This covered development of agriculture and irrigation, communications, industries and mines, and public utilities. A second Seven-Year Plan, approved by Parliament in March 1956, calls for expenditures of over $1 billion, nearly one-quarter of which is allocated for the development of agriculture and irrigation. Most of the country's substantial oil revenue is used for large-scale projects of the plan.

Included in the agricultural sector of the plan are programs for agricultural training, crop improvement and extension, animal husbandry, plant diseases and pest control, agricultural extension, agricultural machinery, rural economy and agricultural engineering, silos, and animal industry. Irrigation plans cover irrigation and dam surveys and construction, together with the utilization of underground water. Additional projects include a survey of the Khuzistan plain in southwestern Iran for the expansion of agricultural production under irrigation, and the establishment of a sugarcane industry and a fertilizer plant in this locality.

Specific major agricultural objectives are (1) maintenance of self-sufficiency in wheat production, (2) increased production of rice and tobacco for domestic use and export, (3) improvement in cotton quality and increased production of cotton for home needs and export, (4) increased production of dairy products and other foods for domestic consumption, and (5) maintenance of fruit and nut production for the export market, and improvement in quality.

The government has become increasingly aware that reforms in land tenure, to expand private ownership among peasant farmers, are essential. The objective is to improve the economic and social status of the peasant class, which represents the majority of the people. The Shah has taken a significant step in this direction by launching a program for the distribution of Crown Lands among tenants. To date some 370,000 acres have thus been redistributed. The Shah also looks forward to a national program along the same lines.

Regulation of Foreign Trade

Iran has used outright prohibitions on imports of a large number of agricultural products to protect home markets. Items prohibited change from time to time. Recent regulations have prohibited the imports of fruits competing with locally grown products, particularly citrus and deciduous, but have liberalized trade in other commodities.

Tariffs are also used as controls on imports, to maintain domestic prices and raise revenues. However, for most agricultural items considered basic, imports of which are allowed, there are little or no tariffs.

Exports of the following agricultural products from Iran are prohibited: Livestock and meat, butter and other animal fats except lard, all grains and their flour except millet and corn, first and second-grade Sadri rice, charcoal, cow and buffalo hides, raw jute, sugar, and cottonseed. The following agricultural commodities are under government monopoly and can be exported only by the government: Tobacco and tobacco products, sugar, and opium (stock). Rice export can be authorized only by the Council of Ministers.

Combined annual import quotas for milk (powdered, concentrated, or condensed), semolina, rolled oats, vegetable or hydrogenated oil, cow and calf hides, casein, and live animals are usually rather low. For the Iranian year ended March 1956 the aggregate figure was only about $500,000.

As a result of recent PL 480 negotiations, butter and butter oils may now enter the country duty free, and foreign exchange has been provided for their importation.

In keeping with the policy of the liberalization of foreign trade to its fullest possible extent, the Iranian Government last year stated its intention to let six existing trade and payment agreements (with France, Germany, Italy, Hungary, Czechoslovakia, and Poland) terminate upon their expiration dates, with subsequent trade to flow in normal commercial channels. Early in 1957 the announced position was that each of the six agreements in question would be reexamined, before termination, from the standpoint of its value to the national economy. Only those found to be contrary to Iran's interest will be allowed to lapse.

A broad bilateral clearing arrangement with Turkey in October 1956 provided for the exchange of more than 30 products. Wheat for flour and seed, barley, olive oil, and live animals for breeding appear on the list of Turkish merchandise to be exported to Iran; Iranian agricultural exports are to include unmilled rice for sowing, tea, saffron, henna, and gum arabic.

The 1950 barter agreement between the USSR and Iran and the negotiations for the 1956-57 lists were excluded from the policy decision for promotion of unrestricted trade. Under the 1956-57 lists more than half the Soviet export categories, including agricultural machinery, were granted substantial quota increases. There were no significant quota increases in Iranian export products, although sharp decreases were negotiated for rice and cotton. In 1957 the agreement was renewed for 3 more years.

Iran is not a member of GATT, but has signed a bilateral trade agreement with the United States.

The only export subsidy in Iran is in the form of preferential railroad freight rates on all commodities for export. Several agricultural commodities are on the list having freight rate reductions. The percent reduction in freight rates ranges from 15 to 55 percent.

Internal Market and Price Regulation

Internal price regulations fit into two categories: Fixed purchase prices for certain basic crops (wheat and barley) procured by the government, and prices paid by the Iranian Government for special commodities controlled under a state monopoly (tea, sugar, and tobacco).

In line with an expressed policy to hold down prices of bread, the Bread and Cereals Department is authorized to purchase up to one-fourth of all wheat and barley at fixed prices. These prices vary in different areas but are generally below the market prices. After the required portion is sold to the department, the producers is at liberty to sell the remainder in the open market. In actual practice the government has obtained much less than one-fourth and during the last 2 years has tried to meet most of its wheat needs from imports.

During the past year there have been attempts to control the cost of living by fixing the price of all vegetables and other items on the markets of Tehran and in other cities. This was done by a daily quotation of prices for which commodities could be sold. The procedure proved to be too complicated and now no program of this type is being used.

Indirect Aids

Most agricultural credit in Iran requires a mortgage on the land and consequently is available only to landowners at high interest rates. The bulk of agricultural credit is extended through local merchants or middlemen. There are two semipublic government-assisted banking institutions in Iran--the Development Bank, created in 1952, which serves only those farmers in the Crown Land Distribution Program, and the Agricultural Bank, the only government-sponsored credit source available to farmers.

Beginning with 1915 an assessment was made on the production and income from most rural properties and direct taxes were levied accordingly. This system created so many problems that an indirect tax on agricultural production was substituted and is still in effect.

Iran's educational facilities are still far from being adequate. Illiteracy is the rule in rural areas, and agricultural training is extremely limited. There is one higher agricultural school near Tehran. Small agricultural colleges have been established recently at Shiraz, Tabriz, and Owaz. Most of the agricultural personnel (many of whom are highly qualified) had to seek training abroad. Extension work, as such, has been established only in recent years, although basic research has been pursued much longer.

The picture is changing, however, and tangible improvements are being made in these fields. In their determined effort to improve agricultural production, the authorities have put greater emphasis upon the training of personnel. Hundreds of them receive practical and specialized training at home and abroad annually. This is done to a large extent in cooperation with the United States and the United Nations organizations. Extension work and demonstrations and improvements at the village level are emphasized.

An extensive program of land reclamation and irrigation is under consideration in the Seven-Year Plan. Iran has promising possibilities in this field. Some more underground water could be utilized, and several streams and rivers could be dammed to irrigate additional areas. The recently completed projects of the Karkheh Dam, diversion of the Karun River, and the intensive use of pumps will put some additional land under irrigation.

One of the long-range projects is the development of the great Khuzistan region in the southwest. This is now in the study stage through a contract awarded by the Iranian Government to the Development and Resources Corporation of New York. A system of storage dams on the Karun (largest river in Iran) and four other smaller rivers will ultimately control floods, create much hydroelectric power, and irrigate other areas.

Iran has been successful in obtaining substantial assistance from foreign sources to support its national plan for development. It has welcomed cooperative endeavors by private organizations in the United States (mainly the Ford Foundation and the Near East Foundation) in basic programs aimed at agricultural and other improvements at the village level. Technical help from UN organizations has been largely applied to agriculture and related fields.

Greatest assistance came from the United States International Cooperation Administration and predecessor agencies, totaling $275 million from 1951 through 1956. About one-fourth of this was used for agricultural and related activities. Most of the ICA-Iran agricultural program has been aimed at grassroot improvements. It emphasizes training of personnel, extension work, community development, and demonstration.

IRAQ

Dependence on Trade in Farm Products

Iraq is primarily an agricultural nation producing more than enough cereal grains and livestock for domestic requirements under average conditions. Imports include tea, coffee, sugar, and edible oils. Government policy is designed to encourage and promote agricultural exports and to discourage imports which compete with Iraq production. No large market in Iraq is foreseen for United States agricultural products on a long-range basis because of the considerable potential for increasing domestic production. United States exports to Iraq were valued at $33,898,000 in 1955 but agricultural items were valued at only $640,000. Dairy products were the principal category of agricultural exports to Iraq and show some prospects for future expansion of trade.

The exports of Iraq totaled $504,000,000 in 1955, of which oil amounted to $458,770,000. The United States ranks second after United Kingdom as an importer of Iraqi agricultural products. United States imports were valued at $31,592,000 in 1955, of which $13,820,000 were for agricultural products. Wool, dates, sausage casings, and licorice root were the principal items. The United States is the principal market for Iraqi wool and sausage casings and an important market for dates.

Policy Goals

The general policy of Iraq is to change the basic economy of the country by an evolutionary process. Oil revenues are being invested to create other sources of wealth. This basic policy was established by the law of 1951, which allocates 70 percent of the revenue accruing from oil royalties to be set aside for development projects. The Iraq Development Board, an autonomous agency of the government, directs all projects and establishes the general rate of progress. The program of the Development Board emphasizes irrigation and flood control measures.

The current budget, adopted in June 1956, allocates $1.4 billion during 1955-60 as follows: Flood control, irrigation, and drainage, 31 percent; roads, bridges, and railways, 25 percent; buildings, 20 percent; industry and electricity, 13 percent; housing, 5 percent; agricultural resources, 3 percent; administration and miscellaneous, 3 percent. The program is a long-term capital investment scheme, but recently the projects have been modified to emphasize short-range activities which will yield quicker results.

Flood control is emphasized in order to eliminate the yearly spring inundation which has been so costly and damaging to Iraqi agriculture. Land reclamation by irrigation and drainage measures (to reduce the serious problem of salinity) is intended to increase the cultivated area of the country. Small farmers are being settled on reclaimed government land.

Regulation of Foreign Trade

During 1955, experts from Belgium proposed a revision of tariffs to the Iraq Government. Their proposal formed the basis for a new tariff law which became effective January 1, 1956. Duties on essential commodities, raw materials, and agricultural products were reduced. Rates on luxuries and products of certain domestic industries were increased, including the tariff on vegetable oils, butter, and cream.

Iraq pursues a liberal trade policy toward dollar imports having some measure of essentiality. Competition is keen for the Iraqi market. The effective limiting factor on United States exports is price rather than import controls. Imports from nondollar areas are divided into three categories: prohibited goods, limited allocations, and unlimited allocations. Prohibited goods include low-count cotton yarn and various agricultural produce, such as animals, meat, ghee, corn, beans, and onions, which would compete with domestic production. Limited allocation imports include cotton cloth and canned milk.

The government has discontinued the date monopoly of the Central Area Company. This action relates only to the central date areas and does not apply to the Basra monopoly. The Iraq Date Association will continue to allocate foreign markets and regulate prices to growers for both the Central and Basra areas.

Iraq continues its policy of making trade agreements with other Arab countries. An agreement with Jordan, ratified March 1954, lowered the tariff on agricultural produce. In 1955, a trade agreement was concluded with Greece and talks were held with Turkish and Japanese trade commissions. Discussions between Iraq and a number of countries, including the United States, were undertaken during early 1956 concerning treaties of trade and friendship.

More recently, an economic agreement was concluded on May 15, 1957, between Iraq and Saudi Arabia. A list of products made from cotton and other fibers was exempted from tariff duties. Another list of products and manufactures was made liable to customs duties equal to only one-third the normal rate in the importing country.

Iraq has no direct subsidies for the encouragement of agricultural exports, and probably will not have them in the near future.

The Unified Law for the Boycott of Israel was ratified by Iraq in May 1956. As a member of the Arab League, Iraq maintains a boycott of trade with Israel.

Internal Market and Price Regulation

Although the wheat crop of 1956 appeared adequate to meet the needs of the country, the government, intending to prevent price inflation and hoarding, authorized the purchase and import of 34,000 tons of wheat. Imports have tended to depress the market. This has led to demands for guaranteed wheat prices.

Twenty-six centers in Iraq receive flour supplied from the High Supply Committee for use in baking bread which retails at a low fixed price. A program of grain storage, administered by the Grain Board, has also been initiated.

Basra date growers will be paid at rates about 30 percent below those of the previous season. Prices are established under a new 3-year monopoly agreement by the Iraq Date Trading Company.

The Tobacco Monopoly in 1956 licensed about 18,600 acres to be planted with tobacco. A maximum yield of 710 pounds an acre is the permissible amount sold to the Monopoly. Farmers deliver their crop to a Tobacco Monopoly warehouse, where it is graded and a price paid according to quality. The government controls the retail price for local cigarettes at the equivalent of 11.5 cents per package of 20.

There are no direct subsidy payments for agricultural production with the single exception of sugar. A price equivalent to $14.00 per metric ton is guaranteed to farmers for a small experimental acreage of sugar beets.

Production regulation is not widely practiced. Two crops, tobacco and cotton, are regulated by the government. For tobacco a countrywide area of production is established each year. Cotton acreage on government-granted land is limited by the amount of seed the government makes available to the farmer. In 1956, the seed furnished by the government was sufficient for an area of less than 2 acres per farm. There is no limit, however, on operating privately owned or leased areas.

Indirect Aids

Iraq passed a new Agricultural Bank Law in 1956. It increased the bank capital, fixed a ceiling on loans to farmers, and authorized 25 percent of net bank profits to be paid to the national Treasury.

In 1956 also agricultural tax laws were revised. The tax on animals and animal products exported from Iraq was lowered from 20 percent to 10 percent. Other agricultural exports are subject to a 10-percent tax. There has been some discussion of removing the tax on barley as an incentive to increase exports. Barley and dates are taxed 10 percent of value if intended for local consumption. Despite its predominantly agricultural economy Iraq levies no land tax.

A college of agriculture and experiment station have been established at Abu Ghraib, near Baghdad. There are four other agricultural experiment stations in the country. A veterinary college was opened late in 1956. Education and training in agriculture are encouraged through vocational high schools in order to develop the knowledge and skills needed for improvement of the country. The government also provides scholarships for training abroad.

New methods of extension teaching are being coupled with programs to promote new acreages of such crops as cotton and sugar beets. The extension service also promotes the establishment of supply stores where small farmers may buy seeds, fertilizers, and farm machinery.

There has been no material change in the basic land policy of Iraq. Large landowners continue to retain possession of their estates, but landless farmers are being settled on government land. By the end of 1955, more than 15,000 farmers had been settled on

700,000 acres. Although the program continues, it has failed to curb the migration of farmers to the cities.

The Development Board has allocated $78.4 million in the current budget to begin a comprehensive land drainage program. With the cost of drainage estimated at about $55 an acre, this appropriation should finance the reclamation of 1.4 million acres.

The nature and scope of United States technical assistance activities continue much the same as in previous years, with a technical cooperation budget of $2,800,000 and about 110 technicians. A major increase in emphasis has occurred in the area of community development. In January 1956, the Ford Foundation announced its support for the government program with a $425,000 grant for the 3-year period, 1956-58. Agriculture continues to play an important part in technical assistance. The United Nations Technical Assistance Program in Iraq has been increased in personnel from 38 to 48. Agriculture, the largest field of endeavor, received additional FAO experts in forestry, rice cultivation, and animal husbandry.

EGYPT

Egypt is predominantly an agricultural country. It depends for its life upon the waters of the Nile and the relatively limited land that can be put under irrigation. About 80 percent of its people are rural and 75 percent are engaged in agriculture, accounting for 60 percent of the national income. Industrial activity is light and limited, depending heavily upon the agricultural base.

Dependence on Trade in Farm Products

Agriculture plays a critical role in the foreign trade of Egypt, accounting for over 90 percent of the value of all exports. Cotton occupies the key position in the country's trade and economy. Next in importance, but far down the scale, are rice and onion exports. Imports consist mainly of bread grains, tea, tobacco, and various industrial products.

The value of agricultural exports was $352 million in 1955 and $404 million in 1956, of which the United States took 6.5 percent and 3.5 percent, respectively. The value of agricultural imports was $92 million and $114 million for these 2 years, or 18 and 21 percent of total imports. The share of the United States was 36.6 percent and 42.7 percent.

Policy Goals

The agricultural policy of Egypt is inspired primarily by the national urge to meet the chronic problem of population pressure upon limited land resource--24 million people on 6 million acres. From this basic problem arose the major goals of intensified cultivation, increased yields, expanded use of the Nile waters, and agrarian reform.

Much success has been achieved in the first two, by means of double cropping and the application of improved techniques. On the other hand, the use of available water for irrigation has almost reached the limits of physical possibility. For this reason Egypt has turned its attention to the development of the High Aswan Dam scheme. If and when achieved, this will add 2 million crop acres to the cultivated areas.

The agrarian reform program was launched in 1953. It covers improvements in tenancy, agricultural wages, and limited redistribution of land. It is aimed at assisting the peasant masses, who constitute the majority of the population, to improve their productivity and living conditions. In keeping with this orientation, the authorities have emphasized in recent years the production of diversified crops.

In its foreign agricultural policy, Egypt has strived primarily to maintain a market for its great cotton crop, and to increase exports of a few other items. Success in this effort is imperative; for Egypt has had practically no other means to earn the foreign exchange it needs to keep the wheels of its economy turning. With the nationalization of the

Suez Canal, Egypt has the possibility of earning considerable foreign exchange through the collection of canal tolls.

Faced with the dilemma of these conflicting pressures and needs, within relatively limited resources, Egypt has adopted in recent years an overall policy of increased national production. This covers all sectors of the economy with special emphasis upon industrialization. The objective is to husband all available resources effectively and achieve integrated development.

Regulation of Foreign Trade

In 1955 the Egyptian Government enacted legislation placing a 7-percent import duty on various agricultural and nonagricultural commodities. These laws have been revised and amended since to include all imports. The only goods exempted from these duties are those specified by the Ministry of Commerce as essential to industry and national production.

In the past all grains and grain preparations with the exception of corn and rice have been exempted from duties. The general rate of duties on tobacco is $4.63 per pound, plus 8 percent ad valorem. Duty on sugar (refined or raw) is $108.00 per metric ton and an excise tax is imposed of $96.77 per metric ton. With certain exceptions and as provided for under customs regulations, certain fats and oils and oilseeds are exempted from duties. Cotton imports are prohibited.

Government departments were instructed in 1957 to cancel import orders placed with firms in the United States or Germany unless the suppliers accepted payments from some five Soviet Bloc countries; or unless one of these countries made dollars available for payment to the supplier.

With the exception of the Sudan, import duties are applied equally on all goods imported without regard to their origin. While preferential tariffs are nonexistent, import licenses are granted more readily to those importers receiving goods from countries with which Egypt has a credit trade balance. Licenses are required for all imports. Import permits from hard-currency areas must be reviewed by a special interdepartmental committee, whereas those for other countries require only the approval of the director of the Import Control Office.

In 1956 Egypt made bilateral trade agreements with several countries, seven of which were members of the Soviet Bloc. These Communist countries were the USSR, Czechoslovakia, Poland, Rumania, Hungary, East Germany, and China. Also, Egypt is a member of the Arab League and ratified the Inter-Arab Trade Agreement.

The Egyptian Cotton Commission, a government agency, exports cotton purchased through the support program; however, more than 90 percent of the cotton exports are handled by private agencies. Since September 1955, export duties on cotton have equaled 4.8 cents per pound on long staple varieties and 1.3 cents per pound on all other varieties. However, the government has announced export duties on shipments after August 31, 1957, will increase to 7 cents per pound on long staple varieties and 3.5 cents on other varieties.

The government controls the marketing of rice to be sure it will be available for export. Duties levied on the various qualities of rice vary from the equivalent of $28.60 to $40.04 per metric ton.

Several export incentives have been devised to encourage cotton sales to the United States. The latest one authorizes a 25-percent discount on cotton sales for dollars in the United States before September 1, 1957, compared with discounts of 20 percent to other dollar countries and Germany and 15 percent to Italy and India.

Internal Market and Price Regulation

The prices of cotton, rice, wheat, sugar, and citrus fruits are fixed by the government throughout various parts of the market structure.

The Egyptian Cotton Commission stands ready to buy all cotton offered to it at a support price which ranges from 26 cents per pound for Ashmouni to 48 cents per pound for Karnak.

Since World War II the government has been responsible for supplying wheat to the cities, and has purchased from the farmers all wheat offered to it for a fixed price. This was discontinued July 1957 and farmers now sell directly to merchants or millers on a free market. Imported wheat flour of 76 percent extraction (domestic flour is 82 percent) is distributed by the government. Bread prices remain fixed. The government's fixed minimum price for rough rice has remained the same since 1954, at $44 to $47 per short ton. The banks are ordered to buy for the government any and all rice offered at the minimum prices. Prices of corn, barley, and millet are allowed to fluctuate according to supply and demand.

Wholesale and retail prices of citrus fruits are fixed by the Ministry of Supply. In the case of sugar, the government fixes the price the sugar monopoly pays to farmers for cane, as well as setting prices at the wholesale and retail levels.

Egypt uses a system of acreage controls on two of its most important crops, cotton and wheat. Not more than one-third of the cultivated land may be planted to cotton and not less than one-third to wheat. This policy has been in effect since 1955.

Indirect Aids

Private and state credit facilities have been amply available for the needs of commercial agriculture in Egypt. The National Bank, the Agricultural Bank, and a large number of private banks and credit organizations have been an integral part of the country's agricultural and economic development. Over the years they have supplied credit, at reasonable rates, to land-owners and prosperous farmers.

Recognizing the needs of the small farmers and tenants, who have always constituted the majority among the cultivators, the authorities sponsored the development of agricultural cooperative societies some 30 years ago. Since then, these have increased steadily, and the government has given them additional support in recent years. They constitute a dependable and readily available source of credit for the village folk.

Irrigation water is supplied by the government, which provides and maintains the system out of the general tax collections of the country. Growers pay no fees for their supply, and no special land taxes are levied.

The educational base in Egypt is relatively broad, and is expanding under a system of universal elementary schooling. Upon this base, a flourishing system of agricultural education has developed. There are many elementary agricultural schools, several on the secondary level, and three well-staffed agricultural colleges. Several experiment stations for various crops and livestock are maintained in different parts of the country. Excellent research has been done, producing practical results. The country is adequately supplied with qualified agricultural personnel.

In recent years, greater emphasis has been put upon dynamic extension work, to reach and motivate the farmers for improvement. Equally important are the rural social centers, which have been operating in village communities for over 10 years. There are about 200 of them now, and they are expanding. Through them, improvements in agriculture and other aspects of living are achieved at the local levels, on the basis of self-help.

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Practically all of cultivated Egypt is a land of reclamation projects. This has been so since early man struggled to control the floods of the Nile and raise a crop on the drained areas. A series of dams and barrages and an ever-expanding system of irrigation and drainage canals have put some 6 million acres under intensive cultivation. The reclamation process still goes on, but with possibilities much restricted by limited water supply.

Egypt has received substantial benefits for its agriculture from foreign assistance sources. FAO maintains in Cairo its regional headquarters for the Middle East, and supplies Egypt with a large number of consulting technicians. UNESCO has established a regional demonstrational center in fundamental education in the heart of the Delta. Its faculty and trainees work at community development projects in the various villages. The Rockefeller Foundation and, more recently, the World Health Organization have carried on public health work in the rural areas. This has been in keeping with a national policy to combat chronic diseases and increase productivity.

Since 1950 the United States has assisted substantially in a cooperative program of technical and economic development. Through 1956 the total United States aid amounted to over $60 million, used partly for agricultural development. Outstanding has been a land reclamation and resettlement project, for which the United States gave $10 million and Egypt $15 million.

FRENCH WEST AND EQUATORIAL AFRICA

Dependence on Trade in Farm Products

French West Africa is primarily an exporter of agricultural commodities and an importer of machinery, consumer goods, and some foodstuffs. In 1954, the principal agricultural exports (coffee, peanuts, cocoa, palm oil and kernels, and bananas) totaled $290, 869, 000. This was 87 percent of the value of all exports ($332, 937, 000).

France is the leading customer and supplier and accounts for almost 70 percent of the area's foreign trade. The United States led among the non-French Union countries in 1954, taking 7.8 percent of French West Africa's exports and supplying 3.5 percent of its imports.

In 1955, United States agricultural imports from French West Africa totaled $30, 530, 000, of which $21, 856, 000 was for cocoa (26 percent, by volume, of the area's total exports of this item), $8, 268, 000 for coffee, and $270, 000 for hides and skins. United States agricultural exports to the area totaled $1, 356, 000, of which $819, 000 was for leaf tobacco and $517, 000 for milled rice.

United States agricultural imports from French West Africa in 1956 were similar to 1955, but United States exports to the area showed a marked increase: Wheat and wheat flour amounted to $2, 775, 000, milled rice $1, 972, 000, grain sorghums $389,000, unmanufactured tobacco $170, 000, cotton $120, 000, corn $65, 000, dairy products $63, 000, and other agricultural products $3, 000, for a total of $5, 557, 000.

French Equatorial Africa's exports are nearly all agricultural and forestry products. Cotton leads, averaging 39 percent of the total value. Coffee and cocoa amount to 8 percent, other agricultural products 10 percent, and wood 29 percent.

Principal imports are cotton piece goods, foodstuffs (mainly sugar, wheat flour, and canned meat and fish), motor fuels and lubricants, wine and beer, and motor vehicles. Agricultural imports in 1955 accounted for 12.3 percent of the total value of imports.

About 65 percent of the area's total foreign trade has been with France and other areas of the French Union. Efforts are being made to develop other export markets. Agricultural trade with the United States has been insignificant.

Policy Goals

The agricultural policy of the two areas is aimed chiefly at supplying metropolitan France with basic agricultural commodities and at raising the standard of living of the African people.

For many years the policy has been expressed in two forms: large irrigation and development projects like the Office du Niger and the Richard Toll scheme (discussed at the end of this section), and improvement of agriculture at the village and individual farm levels. At present it appears that greater emphasis is being placed on the latter.

Present trends are toward autonomy of each of the eight territories of French West Africa and each of the four territories of French Equatorial Africa. Each will be responsible for administration of its own agricultural programs and for carrying out applied agricultural research. Certain basic services, research, planning, and irrigation development will be carried out on a regional basis. This integrated effort could result in doubling the present cultivated areas in French West Africa.

Regulation of Foreign Trade

Tariffs, which are uniform for all of French West Africa, give preference to the French Union. Fiscal duties--primarily for revenue purposes--apply to all imports, including those from the French Union. Customs duties give preference to the French Union, since they generally apply only to commodities from foreign countries.

If the European common market actually comes into being, it is likely that agricultural products of French Africa will gradually be admitted at favorable uniform tariff rates to the six European common market countries (Germany, the Netherlands, Belgium, Luxembourg, Italy, and France). This, however, will not affect present preferential rates on exports to France.

Under the common market, France will progressively lower tariffs on goods entering French West Africa from Germany, the Netherlands, Belgium, Luxembourg, and Italy.

Provisions of the Congo Basin Convention apply to most of French Equatorial Africa, whereby the common market countries and the United States already receive equal customs treatment with France relative to their exports to that area. Under the Eurafrica arrangement of the common market, French Africa will enjoy uniform tariff rates for its exports to the common market countries.

French West African imports from the franc zone are "pure" free trade; no license is required and there is no exchange restriction. Imports from countries other than the franc zone require an individual license. Licenses to import goods from dollar countries are more difficult to obtain than licenses to import from other nonfranc countries.

Despite equality in customs duties on goods to French Equatorial Africa, licensing arrangements and currency controls give preference to imports from the franc zone. Both exports and imports outside the franc zone require individual licenses and currency allocations.

There are no trade agreements between French West Africa and other countries. However, trade agreement between France and other countries may set a quota for imports and exports to and from French West Africa. A number of such agreements have been made with the countries of Western Europe.

Similar conditions apply to French Equatorial Africa.

In French West Africa, some export taxes are levied in the form of fiscal duty, research tax, putting-up tax, and statistical tax--not, however, with any intention of stifling exports. The export tax on peanuts and peanut oil is 12 percent of a "fixed representative value." The tax on palm oil and palm kernels is levied in the same way but at the rate of 3 percent. No export subsidies are paid.

No export subsidies, as such, are paid on agricultural commodities leaving French Equatorial Africa. However, for most of the principal export crops, the government provides price supports, transportation rebates, and easy credit to encourage exports.

Internal Market and Price Regulation

A few of the crops grown in French West Africa are price supported. In 1955, a Cacao Stabilization Fund was established for the Ivory Coast, which sets prices to the growers in advance. The Coffee Stabilization Board, which receives one-third of coffee export duties, fixes a minimum price for coffee but does not operate until the price falls below the support price.

France wants and needs the vegetable oils produced by French West African peanut and palm products producers. The peanut price is supported well above world levels, and practically all exported nuts and oil are sent to the French Union. The peanut meal is allowed to seek world markets.

Banana prices are not fixed or supported.

In French Equatorial Africa the Caisse de Stabilisation des Prix du Cotton (Cotton Price Stabilization Fund) supports market prices at a fairly low level. It pays some or all of the difference when cotton world prices drop.

Commercial agriculture in French West Africa is strictly regulated by government decrees, which set the price of products, the dates for opening and closing the selling season (to prevent premature marketing), and the quality standards that must be met for various export commodities.

Importation into France of vegetable oils and oilseeds from other than French Overseas Territories is forbidden until the French Government decides that such imports are necessary to replenish depleted stocks or to maintain "normal market conditions."

In French Equatorial Africa, the cotton markets are supervised by a market director (representing the administration), who is intermediary between the producers and the cotton purchasing companies. He supervises the presentation of the cotton and verifies the prices paid to producers according to quality. About 80 percent of the cotton crop is purchased by four companies, COTONFRAN, COTONAF, COTOUNA, AND COTOUBANGI. A sowing premium is paid to encourage cotton planting. By law, cotton can be planted on the same land only once in 4 years.

Cocoa growers in the Ivory Coast of French West Africa are reimbursed for trees destroyed in combating swollen-shoot disease.

Encouragement of increased production is a chief aim of the Government of French West Africa. There are no production restrictions.

Indirect Aids

The Cooperative Agricultural Credit Office of French West Africa receives most of its operating capital from the government. Loans are made to individual African and European farmers, and to European and African cooperatives.

On the local level, the Sociétés de Prévoyance (Agricultural Provident Societies) fulfill their most useful function in making loans to individual Africans. Long, medium, and short-term loans are made, mostly of fairly modest amounts, for agricultural equipment and machinery, housing, and irrigation ditches and dams.

In French Equatorial Africa, the Crédit de l'A. E. F. is a state organization financed by the government and is operated as a private bank under a board of directors. It makes loans chiefly to Africans.

The government has set an aim of mass education but this is a new ideal and only 24 percent of children of primary school age are actually attending classes.

Nonetheless, progress in agricultural research and extension has been made. The Agricultural Research Organization is divided into three main administrative groups: (1) The Center for Agricultural Research at Bambey, Senegal, which is concerned with agriculture in the Sudan-type climate, (2) the Center for Agricultural Research at Bingeville, Ivory Coast, which is concerned with agricultural research for tropical and subtropical climates, and (3) the Federal Rice Research Station at Boké in French Guinea. A number of sub-experiment stations operate under these two centers.

The Research Institute on Oils and Oilseeds, a semiprivate research organization working on oil crops, has introduced higher-yielding varieties of oil palms and devised plans for better palm oil processing plants.

Many small experiment stations scattered through the peanut area of French West Africa have been of great value. The government's greatest problem has been to get the Africans to fertilize their peanuts.

The government's plan to change the eating habits of the Africans from millet to rice has been so successful that home growing of rice has not kept pace with consumption and imports of rice have been on the increase.

The Sociétés de Prévoyance have been an effective instrument for agricultural progress at the local level. Formed in 1910, the purpose of the SP's has been to assist in developing agriculture, animal husbandry, and fisheries through improved methods in production and marketing. In 1955, 115 of these societies were in operation in French West Africa. Their specific functions varied from territory to territory. In Senegal the SP's distributed peanut seed, in French Guinea and the Ivory Coast they distributed coffee, cacao, kola, and banana planting material, in Sudan and Upper Volta they assisted in expanding and improving cotton production, in Dahomey they encouraged corn and tobacco production, and in Niger and Mauritania they distributed millet and sorghum to prevent the "hungry season."

More recently the Sociétés Mutuelles de Production Rurale have been organized to assist in credit, production, and marketing.

Research stations and experiment farms were created in 1947 in French Equatorial Africa to study and introduce new varieties of cotton. The aim was to find varieties with good resistance to disease, higher output per acre, high percentage of lint, and good length of fiber. These research stations (at Tikem, Beredja, Bambari, and Bossangoa) have produced several superior varieties of cotton (Banda, Allen 49, and Allen 50). There are also several other research stations for various crops and livestock.

The outstanding irrigation and resettlement project in French West Africa is the Office du Niger, set up by the metropolitan French Government in 1932 to produce exportable surpluses of cotton and enough rice to feed the African population. Actual accomplishment has not been up to original expectations. Emphasis has shifted from cotton to rice. New areas of the project, located on the "delta" of the Niger, are still being brought under irrigation. A large number of Africans have been attracted to this formerly desert area from overpopulated areas of French West Africa.

Another large development is the Richard Toll mechanized rice project north of St. Louis on the Senegal River. It is operated for a guaranteed fee by a French company, L'Entreprise Africaine Ortal, which expects to grow 10,000 acres of rice in 1957. Production costs are very high and the project is subsidized with profits from imported rice.

The French set up an experimental resettlement project at Kaffrine, Senegal, where a number of Africans cultivated sorghums, peanuts, and millet in rotation on 6-acre farms under the supervision of French West African agricultural experts. The Kaffrine project is being abandoned because of high costs.

In French Equatorial Africa, in the Chad, north of Bongor, the Logone development plan has reclaimed 100,000 acres of land for cotton and peanut production. Also around Lake Chad about 12,000 acres of marshland have been drained and put into cultivation. If the plan for a 400-mile railway extension in Nigeria to Maidiguri near the northeastern frontier is executed, it will probably further stimulate production of cotton and other crops in this area of French Equatorial Africa.

United States aid, through the Marshall Plan, was of much help to French West Africa, especially in furnishing agricultural equipment and tractors. France-in-Europe's assistance has, of course, been all important.

France has followed the policy of buying African produce at guaranteed prices and offering French goods in return. However, the proposed European common market would change this to some extent. A development fund of over $500 million for the overseas territories is being contemplated under this plan, to which all six countries would contribute. The larger share of the fund would be spent in French Africa (including Madagascar) for public works, highways, and industrialization, and for improvement of agriculture and irrigation and processing of agricultural products.

BRITISH WEST AFRICA

Dependence on Trade in Farm Products

The export trade of British West Africa (Nigeria, Ghana, Sierra Leone, and Gambia) depends largely upon agriculture. Most of the area's trade is with the United Kingdom. The United States is a principal outlet for agricultural products, particularly cocoa, and supplies the area with much of its flour and tobacco, along with small quantities of other agricultural products.

In 1955, Nigeria's agricultural exports (exclusive of wood) were 84 percent of its total domestic exports of $370,272,000. Imports of agricultural products (mostly sugar, wheat flour, unmanufactured tobacco, milk and cream) amounted to only 5 percent of total imports of $380,139,000. The United States was the second best customer, taking 9 percent of Nigeria's total exports (mostly agricultural items), but supplying only 4 percent of its total imports. Exports to the United Kingdom were 70 percent of the total and imports from the United Kingdom 47 percent. In 1956, the United States share of Nigeria's cocoa exports (by volume) was 40 percent, compared with 20 percent in 1955.

In 1955, agricultural exports from Ghana (then the Gold Coast) amounted to 70 percent of the total domestic exports of $268,041,000. Imports of agricultural products amounted to 11 percent of the $246,030,000 total imports. The United States took 18 percent of Ghana's total exports and was the second best customer. It was in fifth place as a supplier to Ghana, accounting for 4 percent of total imports. The United Kingdom was Ghana's chief outlet and supplier, taking 41 percent of the exports and supplying 47 percent of the imports. In 1956 the United States took 21 percent of the volume of Ghana's cocoa exports.

Sierra Leone, in past years, had mostly exported farm products--cocoa, coffee, palm products, ginger, and kola nuts. The recent diamond rush has increased the exports of minerals and decreased agricultural production. In 1955, for the first time, the value of minerals exported (including iron and chrome ores) exceeded the value of agricultural exports by approximately $2,128,000.

Gambia exports peanuts (which amounted to 96 percent of total exports in 1955), palm kernels, and ilmenite ore (used to make titanium, a constituent of paint).

Policy Goals

Nigeria has the most diversified and best balanced agriculture of any of the countries of British West Africa. It produces all its food except wheat and sugar. Present goals are to encourage privately owned or cooperatively operated plantations for production of rubber, oil palm, tea, and cocoa, particularly in the Eastern Region and Southern Cameroons. While damage to cacao from swollen shoot is small, as compared with that in Ghana, the government has a program in effect for control of the disease. The government also has made significant progress in controlling the black pod disease of cacao through a dynamic training and extension program. This has resulted in a 35-percent production increase within the past 3 years.

Ghana's chief preoccupation has been with swollen shoot; about 55 million infected cacao trees have been destroyed in 12 years, for which the government has paid compensation. In 1956 and 1957 the government instituted a heavily subsidized mass insecticide program against capsid insects which attack cacao. Ghana has made a small start in trying to diversify its one-crop cocoa economy. Pilot estates have been started for corn, peanuts, rice, tobacco, oil palm, coffee, pineapples, market gardening, and fibers. The proposed Volta River Project, for production of hydroelectric power to process large reserves of bauxite ores, would transform and strengthen the economy of Ghana. Some irrigation water would be available as a byproduct of the project.

Sierra Leone has five main agricultural objectives: (1) Improvement of the oil palm industry, (2) cultivation of rice in coastal and inland swamps, (3) encouragement of mechanical cultivation of rice, (4) increased coffee production, and (5) increased cacao production.

Gambia grows peanuts as its main crop. The government also encourages rice production, through mechanized land preparation and other aids.

Regulation of Foreign Trade

Tariffs in British West Africa are fairly low and mainly for revenue purposes. At times protective tariffs are imposed for the protection of simple pioneer industries. Tariffs in Nigeria and Ghana are nonpreferential, based on the Niger Convention of 1898 between the United Kingdom and France and later extended to other nations.

British West Africa, traditionally a part of the sterling area, trades mostly with the United Kingdom. It has made substantial dollar earnings for the sterling pool. About half of its palm oil and kernels and peanuts are sold under flexible private bulk purchase contracts to industrial users in the United Kingdom. In recent years, trade with Western Europe, particularly Germany and the Netherlands, has increased. In spite of large dollar earnings from cocoa and other exports, British West Africa has imported only a limited amount of dollar goods.

In recent years, Nigeria and Ghana have imported considerable quantities of textiles (particularly synthetics and silk) from Japan, but Japan buys little in exchange.

In general, specific licenses are required for imports into British West Africa from dollar countries, with wheat flour the only United States agricultural commodity on an Open General License. United States tobacco is another important import.

The governments of British West Africa find a major source of revenue in export duties. This form of indirect taxation reached large proportions in 1954 in Nigeria and Ghana, when world cocoa prices were extremely high. The Nigerian farmer received from \$476 to \$560 per long ton for his cocoa; the export duty was as high as \$504 per ton. Ghana's cocoa farmers received about \$375 per ton and more export duty was paid by the Marketing Board because of different methods of calculation. Cocoa prices have since become discouragingly low and the export duty much smaller. In May and June 1957, however, these prices rose to more profitable levels.

Export duties also apply to Nigerian peanuts, cotton, soybeans, coffee, sesame, palm kernels, and palm oil. The export duty is usually 10 percent on these products, above a certain minimum value, and in no case exceeds 20 percent of the declared export value.

Internal Market and Price Regulation

Prices for the principal export products are set effectively in British West Africa. For example, the 1955-56 producer price for cocoa in Nigeria was set at $560 per long ton. Toward the end of the season, the Nigerian marketing boards were paying producers substantial subsidies. On the other hand, during the extremely high world cocoa prices of 1954, growers were getting about half the proceeds from their cocoa. The remainder went to export taxes, marketing boards, trading profits, and marketing expenses. Export taxes in Nigeria are divided equally between the Federal Government and the regional marketing boards.

In Nigeria, the various regional marketing boards, in cooperation with the Central Marketing Board, set purchase prices for cocoa, cotton, peanuts, soybeans, sesame, palm oil, and palm kernels, and are the sole exporters.

In Ghana, cocoa prices are recommended by the Cocoa Marketing Board to the Ministry of Agriculture and the official price is released in the Gazette. The marketing board is the sole exporter. In addition, prices are set by the Agricultural Development Corporation for coffee, palm kernels, copra, shea nuts, and bananas. The small production of coffee is sold in London by the Nigerian Produce Marketing Company.

In Sierra Leone, producer prices for palm kernels and cocoa are fixed through negotiations between the government and the Produce Marketing Board. The government also fixes the producer price of coffee, but the board does not buy and sell coffee.

The Gambia Oilseeds Marketing Board sets prices on peanuts and palm kernels, and handles all exports of these commodities.

The marketing boards play a leading role. Each of the countries has one or more such boards, which purchase export crops on a monopoly basis, set uniform purchase prices for the season, accumulate large reserve funds, and utilize these reserves for services and developments in agriculture and other fields.

The marketing boards have attained their power in a relatively short time; the first board was set up in 1947. They were, however, the outgrowth of wartime controls established in 1939.

In Nigeria, the marketing boards were first set up on a commodity basis with separate ones for cocoa, cotton, peanuts (including sesame and soybeans), and oil palm produce. These were abolished in 1954, and replaced by regional boards for the Northern, Eastern, and Western Regions of Nigeria and for the Southern British Cameroons. The Central Marketing Board in Lagos acts as a clearing-house and coordinating agent for the four regional marketing boards. The Central Board handles all export transactions for the specified commodities. Actual sales transactions are handled by the Nigerian Produce Marketing Company, Ltd., in London (owned by the marketing boards).

In Ghana the Gold Coast Cocoa Marketing Board had total reserves of $240 million in September 1955. This large amount had been accumulated due to high world cocoa prices. Now a self-governing member of the British Commonwealth, Ghana expects to continue the marketing board system.

A diamond rush, comparable to the 1849 California gold rush, has engulfed Sierra Leone, causing thousands of agricultural workers to go into diamond digging to the partial neglect of farming. This has left the Sierra Leone Produce Marketing Board with fewer palm kernels and less palm oil to export. As a result, the country has changed from an exporter to an importer of rice, and food consumption has increased.

Since the governments of British West Africa are striving to increase and diversify farm production, especially of foods for domestic consumption, there are no acreage or production allotments or restrictions.

Indirect Aids

In general, government credit to farmers is in its infancy in British West Africa. Private lenders charge high interest rates. Cooperative societies are the only source of low-cost money for small-scale rural credit. They have been the most important source of credit for the control of cacao disease and the largest cocoa buying agent for the marketing boards. In Ghana, loans were made to farmers during 1955 by the Agricultural Development Corporation and other agencies. Taxing of farm lands is just beginning.

British West Africa has an admirable system of agricultural research institutes under joint sponsorship of the four countries. The West African Institute for Oil Palm Research is located at Benin City in the Western Region of Nigeria. The West African Cocoa Research Institute is at Tafo, Ghana. The British West African Rice Research Station is located at Rokupr, Sierra Leone. In addition each country has a number of national or regional research and demonstration centers.

A faculty of agriculture is a part of the University College of Ibadan, Nigeria. Agricultural schools at Samuru, Ibadan, and Umuahia and a veterinary school at Vom offer 1- and 3-year courses for training what is known as Junior Staff. A new College of Arts, Science and Technology has been established at Zaria, Northern Nigeria.

In Ghana, few vocational courses in agriculture have been offered in the past at the elementary or secondary school level. Courses in agriculture are offered by Ghana's two institutions of higher learning--the University College near Accra and the Kumasi College of Technology, Science, and Arts. There is a scholarship program to encourage more students to enroll in agriculture, but the response has not been significant.

In British West Africa, education in agriculture and other technical fields has lagged far behind academic training. There are too few qualified personnel to meet the expanding demands in agricultural education, research, and extension. Most of those employed are rather well trained, but they are required to service too large areas. All officials are keenly interested in improving the lot of the African farmer and in all probability, the agricultural extension work will be expanded within the near future.

In Ghana, water impounded by a high-level dam in the Volta Gorge could be used to irrigate as much of the 1,500-square-mile Accra Plain "as the soil conditions and landforms permit." Aside from experiments with irrigated crops and detailed soil surveys in the Kpong Pilot Area in the Black Clays Area of the plain, the project is still in the planning stage.

In Nigeria, Sierra Leone, and Gambia, mangrove swamps near the coasts and low-lying riverine areas inland have been prepared for the growing of rice, and are now in production for domestic consumption.

The United States furnishes limited aid in advisory capacities to Nigeria in land clearance and conservation, range management, agricultural extension, community development, and highway development.

The United Nations has furnished some technical assistance in making irrigation surveys for the Kpong Irrigation Scheme (a part of the proposed Volta River Project).

In addition to ways already mentioned, marketing board reserves have been used in Ghana and Nigeria for road and bridge building, support of agricultural colleges, local development grants, rehabilitation, and scholarships. Profits from the Gambia Oilseeds Marketing Board go into the Farmers' Fund, which has used the money for such projects as clearing swamps, village wells, causeways to rice fields, roads, campaigns against baboons, and a teacher training college.

In June 1957, the United States and Ghana signed a technical cooperation agreement. It provides the framework for United States technical assistance in such fields as agriculture, technical education and community development.

BRITISH EAST AFRICA

Dependence on Trade in Farm Products

Overseas exports and interterritorial trade of British East Africa (Kenya, Tanganyika, and Uganda) are predominantly dependent upon agricultural products. In 1955 approximately 95 percent of the value of the region's overseas exports of $291 million and 78 percent of the substantial interterritorial trade came from agricultural items. The largest item in interterritorial trade was cigarettes from Uganda. Overseas imports in the region in 1955 totaled $417 million, with the imbalance occurring in Kenya and covered in part by invisibles. In 1956, overseas exports totaled $320 million and the imports $375 million, with the smaller imbalance still occurring in Kenya.

From Kenya, coffee, tea, sisal, and pyrethrum are the most valuable overseas exports; from Tanganyika, sisal, coffee, and cotton. Uganda's only important exports are cotton and coffee, with the latter now almost equaling in value for the first time the traditionally predominant cotton exports.

In 1955 British East Africa's total exports (all agricultural) to the United States were 13 percent, by value, of the total exports of all kinds to all countries, compared with 10 percent in 1954. Exports to the United States increased in value in 1955 to $35,073,000 from $26,592,000 in 1954, chiefly because of the increased Robusta coffee exports from Uganda. In 1955 the United States replaced the United Kingdom as Uganda's best coffee customer. Most of Kenya's large pyrethrum extract exports are bought by the United States. In the 1956-57 marketing season Germany became Kenya's best coffee customer.

Policy Goals

The long-term regional policy is aimed at greater crop diversification, increased production of cash crops by African farmers, and increased marketings and improvement in quality of African livestock.

In the limited area of Kenya's European farming (12,000 square miles)--its major present source of agricultural exports--the government policy is to encourage more intensive and better mixed crop rotations on the less-developed holdings. This applies particularly to the further development of the dairy, beef, pig, and sheep industries.

Another basic policy in Kenya is to encourage production of food crops by all farmers to meet domestic requirements. For this purpose the government provides reasonable price stability for corn, wheat, livestock products, and other items.

Under the Swynnerton Plan, Kenya has been implementing the following major policy measures: (1) Increased production by African farmers of such export crops as tea, pyrethrum, coffee, and pineapples, (2) gradual consolidation of fragmented African holdings into family units, (3) water and land conservation and development.

While there are no spectacular programs in Uganda and Tanganyika similar to the Swynnerton Plan in Kenya, strong support is being given to supervised agricultural planning and development. This is aimed at more systematic expansion of African agriculture in these two territories and greater crop diversification.

Tobacco policy in East Africa continues to be one of expanded production for consumption in the area.

Regulation of Foreign Trade

No preferential tariffs exist in British East Africa under the Congo Basin Convention. However, there are high protective duties on imports from all sources of bacon and ham, butter, cheese, wheat bran, malted grain and flour, grains (other than wheat and corn), margarine, processed milk and cream, and, in Kenya only, frozen and chilled meat. No import duties are levied on wheat, corn, rice, beans, cassava, or millets. Any necessary imports of these commodities in lean years are controlled by agreement between government agencies and the privately owned flour and corn milling firms (chiefly Kenya farmer-owned Unga, Ltd.) and other private food marketing and processing channels.

Licenses for dollar agricultural imports are largely confined to cigarette leaf required for blending with locally produced tobacco. No permits have been granted for United States wheat imports in 1956 and 1957, although there were wheat shortages because of severe rust damage to the 1955 and 1956 crops in Kenya. Kenya and Tanganyika wheat farmers benefit from the "Gentlemen's agreement" among the three East African territorial governments and the milling industry, whereby the needs are first met from territorial wheat supplies before imports are permitted.

There are no bilateral or bulk purchase agreements for exports or imports. All factory production and imports of cigarettes and tobacco are controlled by a single British tobacco subsidiary. Kenya Cooperative Creameries, Ltd., markets all butter and other dairy products, including exports of about 3 million pounds of butter.

There are no direct export subsidies, but government marketing organizations from their reserves or other funds stand ready to make up losses on cotton and African-grown Robusta coffee in Uganda, and on corn in Kenya. Semiprivate commodity boards and cooperatives control non-African production and marketing of coffee, tea, sugar, tobacco (Tanganyika), pyrethrum and wattlebark in all three territories, and sisal in Tanganyika and Kenya.

Export taxes on sisal in Tanganyika, cotton in Tanganyika and Uganda, coffee in Uganda, and tea in all three territories provide substantial government revenues. Export taxes are levied in Kenya on wattlebark and hides and skins. Excise taxes are levied on manufactured sugar and tobacco.

Internal Market and Price Regulation

Kenya's commercial marketings of food crops for domestic and interterritorial consumption are government controlled, and are supported by guaranteed prices to insure sufficient production for local needs. Various moderate taxes are levied by some local native administrative units upon some locally marketed produce. This is in contrast with freedom from most direct government controls in Uganda and Tanganyika. Only African-farm-produced Robusta coffee and cotton in Uganda are marketed through government marketing boards under a system of annual guaranteed prices to the producer. Effective June 1958 Tanganyika Lake Province cotton will no longer be marketed through Uganda, but will be marketed through the new Lint and Seed Marketing Board in Dar Es Salaam.

In Kenya guaranteed minimum prices are paid for all commercially marketed quantities of corn, wheat, barley, oats, and sunflowerseed purchased by the Maize and Produce Control or other official marketing channels. Except for corn, these supports and restrictions apply primarily at the present time to European farm production. In addition minimum returns per acre are guaranteed only in Kenya for these crops in the event of crop failure for reasons beyond the control of the producer. These minimum returns were established during World War II in Kenya and Tanganyika to stimulate increased food production for local consumption, but have been terminated in Tanganyika.

Commercial marketing, slaughter, and processing of European and African cattle, sheep, and goats in Kenya are handled by the Kenya Meat Commission, largely through its Athi River slaughter and canning plant. The actual purchase, grading, and delivery of the African livestock to the commission's plant is done by the African Livestock Marketing Organization.

All commercial production, marketing, and exports of pork, bacon, and ham are regulated by the Pig Industry Board, which licenses producers.

Indirect Aids

Profits from the Uganda African Robusta Coffee Board and Cotton Lint Board are accumulated until the reserves reach a certain maximum. At that point funds are made available to the Uganda Development Corporation and other government agencies for agricultural, industrial, and educational research and community development projects. About $30 million has thus been made available in Uganda in recent years.

The government-sponsored agricultural credit to European farmers in Kenya is limited to loans through the Agricultural Land Bank. Most credit, however, is through private banks or by limited crop advances made by European farmers' cooperatives. Limited funds are available annually through the European Settlement Board to a small number of carefully selected and government-sponsored European tenant farmers, or to assisted purchasers of existing private holdings. The tenant farmers are given very long leases on farm holdings purchased (and frequently subdivided into smaller units) by the Settlement Board from existing European farm holdings in the highlands. Some new European farmers who privately purchase existing leasehold or fee-simple European holdings are assisted by the board with loans to further improve their farms. European farmers receive partial grants in financing land and water conservation improvements, whereas in African areas practically all the cost of such improvements is met by the government.

Credit for non-African farmers in Uganda and Tanganyika is limited entirely to private banking channels. In their specific areas of operation, the Kilimanjaro Native Cooperative Union in Tanganyika and the Bugisu Cooperative Union in Uganda are playing increasing roles in extending short-term agricultural credit to their African members. Apart from these cooperative sources, credit to African farmers is little developed in British East Africa except for liens on crops made by private non-African traders. African land cannot be mortgaged as security for loans in Kenya, Uganda, and Tanganyika.

Kenya has the best agricultural training at secondary school level for African junior agricultural staff and livestock assistants in a limited number of separate agricultural and livestock training schools, and farm institutes for refresher courses for adult farmers and for the training of community leaders. Similar government institutions (except for the long-existing livestock training schools) have only recently been started in Uganda and Tanganyika. Makerere University College in Kampala, Uganda, has a small Faculty of Agriculture, and a much older Veterinary School with headquarters in Kenya. Only limited numbers of African students have applied or qualified for such advanced education in agriculture. Most of the education work in the past centered around nonagricultural and nontechnical subjects. The limited but well-qualified senior European staffs in agricultural teaching, research, and demonstration have largely been recruited from overseas through the Colonial Office.

African farmers in Kenya are receiving very substantial aid for reclaiming, developing, and improving their land and for increasing cash crops, livestock numbers, and water supplies under the Swynnerton Plan ($19 million for first stage). The most significant progress through 1956 under this plan has been in (1) the rapid expansion of African coffee acreage from 4,000 acres in 1953 to over 12,000 acres by early 1957, (2) land improvement, water conservation, irrigation, and reclamation projects, including some reforestation, under the African Land Development Organization, (3) large-scale controlled livestock grazing schemes, coupled with provision of adequate livestock water supplies and tsetse fly control, (4) significant progress in specific areas in the consolidation of fragmented African holdings after land surveys and farm planning. African coffee acreage is now increasing at the annual rate of 3,000 acres per year. Under the Swynnerton Plan the goal is 71,500 acres of Arabica coffee by 1968. Similar acreage goals have been established for African production of pyrethrum, tea, sugarcane, and pineapples.

Substantial financial grants through the Colonial Office and loans and capital investments from the Colonial Development Corporation are the overseas noncommercial sources of agricultural development and research assistance.

The Tanganyika Government (through the Tanganyika Agricultural Corporation) has assumed ownership of the rail and port facilities and the land and other physical assets of the former Groundnut Scheme. It is developing the different agricultural lands on a long-term and gradual pilot-farm basis for individual African and non-African tenants, with some assistance from the United Kingdom. This involves the gradual increased production of range livestock, tobacco, grain sorghum, cashew nuts, peanuts, and other crops best adapted to the varying soils and climates.

United States technical assistance of all types in British East Africa is limited, and consists largely of advisory work in vocational agriculture and technical education, range management and grassland surveys and development, and advisory work on soils and irrigation development in the African areas in Kenya.

THE FEDERATION OF RHODESIA AND NYASALAND

During its first 3 years of existence, the Federation of Rhodesia and Nyasaland has shown a phenomenal economic growth, with national income increasing each year at the rate of about 9 percent. It depends primarily upon the mining industry in Northern and Southern Rhodesia. Its secondary source of revenue is provided by exports of tobacco, tea, and a few other commodities of lesser importance. It has a virile and expanding European agriculture, with an active agricultural press. The African sector of cash agricultural production is expanding gradually and will make much more rapid progress in the future. About one-seventh of the African population has become a part of the wage earning economy--in mining, industry, and farming. However, the major section of the African population is still engaged largely in subsistence crop and livestock production.

Dependence on Trade in Farm Products

The Federation's 1956 exports totaled $528 million, and imports, $446 million. Its leading agricultural imports in 1956 were valued at $30 million compared with $27 million in 1954. These were sugar, wheat, butter, and cotton. Tallow, at 16 million pounds, was almost double the 1955 imports. Dried milk imports continued to increase in 1956 (2.6 million pounds compared with 2 million). Despite the increase in volume and value of agricultural imports in recent years, only about 10 percent of the value of all exports consists of agricultural products.

Until 1956 the only significant agricultural import permitted from the United States was tallow, despite the Federation's large dollar balance derived from copper, chrome, and asbestos exports. In that year, over 4,000 short tons of United States wheat and 5,000 bales of United States cotton were sold to the Federation for the first time. The Union of South Africa, Australia, and the United Kingdom are the major suppliers of agricultural imports. More than one-third of the Federation's imports originate in the Union of South Africa and Bechuanaland, including substantial quantities of processed and unprocessed agricultural items.

Policy Goals

While the policy of the Federation is to become even more self-sustaining in agriculture, it is doubtful whether the percentage of agricultural imports will drop substantially. This is so because of the expanding and changing food consumption pattern of European and African populations, and the increasing competition between industry and agriculture for credit and labor. The main objectives of the policy are to increase the output of those agricultural products that can be most economically produced in the country for local consumption. The major specific items involved are sugar, wheat, meat, and dairy products. Another policy goal is greater diversification of export crops, such as peanuts, Turkish-type tobacco, tea, and wattle bark in Southern Rhodesia. Production of flue-cured and other types of tobacco has reached a temporary plateau. A most important policy objective is the systematic development of increased participation by African farmers in the cash farming economy of the Federation.

The systematic policy of improving African crop and livestock production in Southern Rhodesia is now being achieved as follows: (1) Increase in the number of African Master Farmers operating fee-simple farms of 100-300 acres under modern methods in the Native Purchase Areas, (2) 5-year program under the Native Husbandry Act to convert tribal or communal landholdings into individually owned and planned family farm units, and (3) the voluntary settlement of excess rural people with their families in modern housing units as permanent wage and salaried workers in urban areas.

In Nyasaland, where agriculture is predominantly African and the population relatively dense, the policy is varied from year to year. It includes (1) increased production of peanuts as an alternative crop to corn, (2) sufficient rice production to meet the Federation's needs, (3) restriction of tobacco production to the best areas and types by acreage licensing, and (4) continued encouragement of cotton production in the most suitable areas.

In Northern Rhodesia more widespread development of crops and livestock is being encouraged by both territorial and federal governments. This is important in a traditionally mining and subsistence farming area.

Regulation of Foreign Trade

The Federation has a four column preferential tariff system. The lowest rate is applicable to the United Kingdom, British dependent territories and protectorates, and UN trust territories administered by a member of the British Commonwealth. The next column applies to the British Dominions, any UN trust territory, South-West Africa, Iceland, and the Republic of Ireland. In many instances the same rate applies to the last category and to the United Kingdom. The third column rate is applicable only to the United States and other most favored nations, and the last column rate covers all other nations. Action was taken at the 1956 session of GATT (of which the Federation is a member) to effect uniform preferential tariff rates throughout the Federation, including nonpreferential areas under the Congo Basin Convention.

Imports from dollar countries are restricted to items for which dollar import licenses may be permitted, or to those imports which are limited to specific semiannual dollar allocations, such as wheat. In 1956 and 1957 there has been a liberalization in the list of dollar items for which import licenses may be permitted. However, a number of commodities are still not included in the permissive dollar import list.

The Federation has long-term bilateral trade agreements with the Union of South Africa and Australia. The South African agreement provides for duty-free entry of 2 million pounds of Rhodesian tobacco, but the duty-free quota may be increased as mutually agreed by the two governments. Agreement between the Rhodesian trade and the Australian tobacco manufacturers provides for annual purchases of 9.7 million pounds, or 6-1/2 percent of the crop, whichever is less. The United Kingdom tobacco trade and the Rhodesian tobacco trade, with government sanction, have an agreement which provides that British tobacco manufacturers agree to purchase specific annual quantities of flue-cured tobacco from each crop, provided quality and price are right. A short-term bilateral agreement with France and its colonies provides for Rhodesian tobacco valued at $1.2 million in exchange for increased purchases of specific French luxury products and cigarette paper. There is a long-existing trade and agreement with the British High Commission Territory of Bechuanaland providing for duty-free trade in many items, particularly live animals and meat and other livestock products from Bechuanaland for the meat-deficient Northern Rhodesian Copper Belt.

Wheat flour imports are virtually prohibited into Northern and Southern Rhodesia, but not into Nyasaland, to protect the private Rhodesian milling industry, which in return agrees to maintain minimum stocks of wheat and flour.

Except for losses in 1956-57 incurred by the Grain Marketing Board for abnormal corn exports, there are no direct subsidies on agricultural exports. Beginning with the 1958 crop the producers will bear any loss on any necessary exports over reserve stocks retained by the Board.

Internal Market and Price Regulation

Despite some recent relaxations, the Cold Storage Commission in Southern Rhodesia still retains a considerable measure of control over livestock marketing and imports in both Southern and Northern Rhodesia. Elimination of price controls on meat has resulted in a slightly higher average price for the lower grades. The commission is endeavoring to exercise control over the quantity of chilled and frozen meat being imported from the Colonial Development Corporation plant at Lobatsi, Bechuanaland.

Guaranteed minimum prices are being paid for purchases of corn, sorghums, and millets by the grain marketing boards in Southern Rhodesia and by the Agricultural Production and Marketing Board in Nyasaland.

Peanut production on African farms is also being expanded by incentive prices offered by the government marketing organization. Guaranteed prices for African-grown wheat and rice are maintained in Nyasaland, but government marketing and price control for beans was discontinued in 1957.

Marketing of tobacco from European and African farms in Northern and Southern Rhodesia is handled through public auctions at Salisbury supervised by the Rhodesian Tobacco Association. Production and marketing of African tobacco in Nyasaland are controlled by the African Tobacco Board. African tobacco is bought at guaranteed annual prices according to grade and type by the Tobacco Control Board, which further grades the leaf and sells it on auction at Limbe. African farmers are being encouraged in the Northern and Central Provinces to increase production of the better-quality sun-cured and air-cured tobacco. European producers grade and sell their tobacco directly on auction.

All commercial milk production in Southern Rhodesia is purchased, processed, and marketed through the Dairy Marketing Board at varying guaranteed prices according to the end use of the milk. This board practically controls imports of dairy products for Northern and Southern Rhodesia, and prohibits importation of unprocessed Cheddar and Gouda cheese. In 1957 it established a small pilot milk-drying plant at Gwelo, Southern Rhodesia.

Raw cotton imports for the sole spinning mill in Southern Rhodesia are controlled by the Cotton Industries Board. Nyasaland continued to be the main production center for the limited cotton production, with the government encouraging this crop in all suitable areas. The cotton is purchased and marketed through Nyasaland Government channels and sold on the world markets, although the entire 1956 crop was purchased by Southern Rhodesia.

There are no direct subsidies for acreage, production, or farm requisites in the Federation. However, Nyasaland regulates African cash crop production through acreage, price, and marketing controls. This is done according to the varying annual demands for local market sales and for export. The objective is to encourage diversified farming and to improve the cash income of the African farmers.

Indirect Aids

Credit for European farmers is available principally through private banks and the Government Land and Agricultural Bank, as well as to a limited extent through cooperatives. For African farmers, limited credit is provided through the respective Departments of African Affairs in Southern and Northern Rhodesia and Nyasaland. This includes loans for purchase of fee-simple farms by African Master Farmers in Southern Rhodesia. European farmers have been granted a graduated rebate on their income tax in accordance with the proportion that their food crop production was to total production. It appears that this rebate may soon be abolished.

Nyasaland has the most extensive system of specific training for Africans in agriculture and animal husbandry at secondary school levels, including the new central school at Lilongwe. There is one agricultural college for Europeans in Southern Rhodesia, but most of the training at college and university levels for Europeans and Africans has been sought outside of the Federation. Recently it has been announced that a Faculty of Agriculture will be established as a part of the new multiracial University College at Salisbury, Southern Rhodesia, and the European Tea Board of Nyasaland has already made it a grant of $28,000.

Until recently much of the Federation's European agricultural staff had to be recruited from overseas. The outlook, however, is for a growing number of local European and African agricultural staffs.

The Federation has an excellent staff of European extension and soil conservation officers, particularly in Nyasaland and Southern Rhodesia, with a limited staff of locally trained African assistants. Extension and conservation are usually handled by the same individual. Much basic work has been accomplished in these fields.

There is in the Sabi Valley of Southern Rhodesia an irrigation experiment station and development program under the supervision of a United States irrigation and soils specialist hired by the government. The Rhodesian Selection Trust (a United States-controlled mining group) is financing a substantial irrigated and livestock pilot farm in the extensive Kafue Flats in Northern Rhodesia. This company has also made substantial interest-free loans to the Northern Rhodesian and Nyasaland Governments for development of African agriculture, education, and related work.

The first stage of the Shire River Valley Project in southern Nyasaland has been completed, with the eventual goal of reclamation and of irrigation development of new farming areas for African farmers, combined with a possible large hydroelectric project. As a part of construction of the Kariba Dam and power project in Northern Rhodesia, some 30,000 African families are being resettled in Northern Rhodesia on new farmlands because of flooding by the new dam.

Northern Rhodesia and Nyasaland continue to receive grants from the British Colonial Office, and also capital funds for small specific development projects from the Colonial Development Corporation. As a self-governing territory, Southern Rhodesia receives no such aids from the United Kingdom. There is no technical assistance program from the United States in agriculture, although United States technicians from time to time are given short-term survey and advisory assignments by the International Cooperation Administration on grassland and range management and related conservation and soil problems. Several Rhodesian students and technicians have visited or studied in the United States during recent years on private or Federation Government funds.

THE UNION OF SOUTH AFRICA

Dependence on Trade in Farm Products

Exclusive of goods in transit and of gold bullion (of which there was an average net output of about $448 million during 1951-55), the value of the Union's principal agricultural exports has ranged from 32 to 42 percent of the total exports. The average yearly value of total exports for the 5 years 1951-55 was $959 million and that of agricultural exports, $360 million. In these years the average annual value of principal agricultural imports ($94 million) ranged from 6 to 9 percent of total imports ($1, 254 million).

Total United States agricultural exports to the Union were $11.3 million in 1954 and $12.1 million in 1955, of which inedible tallow and wheat accounted for two-thirds in both years. Total United States agricultural imports from the Union were $21.7 million in 1954 and $24.0 million in 1955; wool accounted for about $20 million in both years.

As a result of the expanded export market needs of World War II and the rapid postwar industrial development of the Union, agricultural surpluses which accumulated during the 1930's disappeared, and there were some shortages for the domestic market. In postwar years, considerable efforts have been made to increase production to provide for domestic needs and for expanded exports. These efforts have been very successful, with increased exports of wool, fruits, and sugar, and with near self-sufficiency in wheat. Corn production during the past 3 or 4 years has far exceeded the normal needs of the domestic and export markets, and a burdensome surplus has developed.

Policy Goals

The Union's major policy goals have in view maintaining relatively low production costs and low domestic prices; increasing production; expanding already sizable exports of maize (corn), citrus, deciduous and dried fruits, and wool, and yet remaining as nearly self-sufficient in all major food and feed products as resources and circumstances will permit. These objectives are publicly supported and furthered by irrigation and conservation schemes, price supports, consumer subsidies, freight rate subsidies for production materials and for exported products, tariffs, and import quotas.

Regulation of Foreign Trade

Trade in agricultural products is regulated to some extent by tariffs but mainly by import licensing and quotas. The major effort is one of protecting home production and of allowing imports only when domestic production is not adequate for domestic needs.

Nearly all exports and much of the domestic marketing of all major agricultural commodities, except wool, remain under the control of quasi-official control boards. The export promotion scheme for wool, involving joint action by South African and American wool interests to promote wool consumption (begun in 1955), appears generally satisfactory, and is to be expanded. Only a few restrictions affect agricultural trade between the Union and the United States. When an importer has been granted a permit, he is at liberty to obtain his requirements from any country. Relaxation of import controls of agricultural products started in 1955, and continues on a modest scale. Tobacco was imported from the United States recently up to the amounts needed. The foreign-exchange position appears to be satisfactory. The Union is a member of GATT.

Aids to export include reduced domestic rail rates on most export items, such as maize and citrus, and stabilization funds contributed to by both producers and government to cover export losses incurred by exporting at lower than domestic guaranteed prices.

Internal Market and Price Regulation

The effort to control prices of the main agricultural products of the Union is not primarily a World War II measure. Plans devised to promote a more orderly process of grading and marketing, generally financed by levies imposed on sales, have been in effect since shortly after World War I. Statutory control, however, is largely a development of the last decade, given impetus by the Marketing Act of 1937, as amended.

Marketing is closely supervised by advisory boards, the Perishable Products Control Board, the National Marketing Council, and the control boards for 14 or more agricultural commodities. These control boards operate to secure a greater measure of stability in the prices of agricultural products and to reduce price spreads between producers and consumers.

Various consumer subsidies aid agriculture, the main ones for butter and dairy products; maintenance of reserve stocks in the Union; imported wheat and flour, oats, and barley; railway rates; fertilizers; sunflowerseed and cake; groundnut cake and oil and maize. In the postwar years, the cost of supporting agriculture has shown a steady upward trend, and it has been estimated that in 1949, the Union Government spent some $33 million in subsidizing agricultural production and distribution.

Since the control boards or other official agencies for the major agricultural commodities have in most cases almost complete control over the crops from producer to consumer, there has been little need for separate government production control measures. Some surpluses have developed at times for citrus, deciduous fruits, and corn in good seasons, but as yet no serious long-time overproduction problem has been encountered.

Indirect Aids

Long-term loans may be obtained from the Land and Agricultural Bank against good security. Funds are also obtained from insurance companies, commercial banks, trust companies, boards of executors, and private individuals. The South African Agricultural Union has established a credit cooperative for use in seasonal credit. Recent developments in agricultural finance have included the establishment of a fodder bank cooperative, a central credit cooperative, and a central cooperative insurance company to provide guaranteed cover against hail and other losses.

Since cooperatives handle a large proportion of the agricultural production, the Union's agriculture benefits from the usual reduction of liability to taxes on profits of cooperatives. Taxes on agricultural property are lower than on urban properties. Estate taxes on agricultural holdings are considered rather high.

In the four agricultural colleges, training is given to future farmers, specialists, and technical assistants for the State departments, and also to established farmers. These colleges emphasize the practical side of farming and give a diploma in agriculture. University training, leading to the B. Sc. (Agr.) and higher degrees, is conducted at the universities with faculties of agriculture. Secondary agricultural education is provided at six agricultural high schools with a strong agricultural bias. A great deal of extension-type education emphasizes how to use latest scientific principles, especially in soil conservation. Education for non-Europeans is making some headway, but slowly.

Land reclamation is being accomplished by restoring eroded land, extending areas of irrigated land, and installing proper drainage for water-logged land. Moreover, since most of the Union is arid or semiarid, pastoral development is emphasized.

In July 1957, the government announced its ley-cropping scheme, aimed at more balanced agricultural production and soil conservation. It involves the rotation of perennial leys with cash crops, and the introduction of animals as an inherent part of the farming system. A subsidy will be paid over 3 years to those participating in the scheme.

COMMUNIST COUNTRIES

The 13 Communist countries,[9] with about one-third of the world's population, have not had as great an expansion in agricultural production in the postwar years as have the non-Communist countries. Per capita production has been significantly below prewar. The consumption of grains has risen because of the shortage of meat and dairy products and, as a result, exports of agricultural commodities have been sharply below prewar, when many of these countries were important suppliers of agricultural products in world markets. In addition, the Soviet Union and its associates have been attempting to become more self-sufficient, so that most of the limited agricultural products available for export are being utilized within the Communist countries.

Except for Yugoslavia, United States trade with the Communist countries since 1945 has been negligible. However, Communist countries have been encouraging an expansion in trade with the Western world in recent years; the exports of eight countries--the USSR, Yugoslavia, Czechoslovakia, East Germany, Poland, Hungary, Rumania, and Bulgaria--to Western countries have increased from the equivalent $1.7 billion in 1954 to $2.7 billion in 1956, and their imports from $1.8 billion to $2.5 billion. Most of this trade has been with West European countries but the expansion was general with all areas.

The agricultural policy goals of these countries have been to socialize agriculture, increase output of food, feed, and fibers, and acquire increasing quantities of farm products for the needs of the state at low cost.

Except for small plots assigned to members of the collectives, agriculture is completely collectivized in the USSR and, except for Yugoslavia and Poland, the policies of all other countries aim at increased collectivization, often at the expense of current production. Since 1955 the move toward collectivization in Communist China and North Vietnam has been especially strong. Collectives are given extensive state assistance, receive priorities in supplies, credit, and machinery service, and are favored by tax exemptions and lower compulsory deliveries than private farms. Yugoslavia's collectivization has been largely undone; the percentage of arable land in collectivized farms has declined from about 25 percent in 1951 to only 3 percent in 1955. Instead, general agricultural cooperatives, a carry-over of the traditional prewar type, are expanding their influence upon the development and guidance of agriculture through centralization of purchases and sales of farm products, and the provision of community services. In Poland efforts are being made to develop all farms whether collectivized or private, and forced collectivization has been halted.

All foreign trade in Communist countries is carried on by state agencies, and generally transacted within bilateral agreements. Often, trade agreements are made for political rather than strictly economic reasons. Recently the Soviets have shown a willingness to bail underdeveloped countries out of their agricultural surplus disposal problems wherever it suited their purposes to do so.

In recent years efforts to expand agricultural production have been intensified. Extensive new areas are being brought into production, particularly in Russia. Efforts have been made to halt and even reverse the decline in farm laborers, and in several countries compulsory deliveries have been reduced and higher prices have been paid for both forced and voluntary deliveries. Where private farms still prevail they are also being encouraged to produce more, and producers who sign contracts for deliveries may obtain special credit and certain other prerequisites not formerly available.

[9] Soviet Union, Yugoslavia, Poland, East Germany, Czechoslavakia, Hungary, Rumania, Bulgaria, Albania, Communist China, Outer Mongolia, North Korea, and North Vietnam.

Foreign Trade Position and Policy

Foreign trade in agricultural products under the Communist regime has not played as significant a role in the national economy as it did under the free enterprise system. Before World War I Russia was preeminent in the world grain export trade and also exported sizable quantities of dairy, meat, and other agricultural products. This important position, however, has been lost since the revolution. Agricultural products in recent years have constituted only a small share of total Soviet exports. Thus grain, which in 1913 accounted for one-third of the total exports, declined to 7.1 percent in 1956. Similarly flax fiber declined from 6.2 to 0.4 percent; meat, dairy products, and eggs from 12 to 1.1; and sugar from 1.8 to 0.6 percent.

In the case of meat and dairy products, wool, oilseeds, and sugar, the Soviet Union actually shifted from an export to an import basis. But imports of these products are not regular from year to year and they constitute a relatively small share of the total Soviet supply. Except for tropical and semitropical products, such as coffee, rubber, cocoa, and tea, the Soviet Union is largely self-sufficient in most agricultural products at the low consumption level maintained. Recently, however, there has been a discernible tendency for the Soviet Union to import staple agricultural products from underdeveloped countries in exchange for technical assistance. A leading example is the large Soviet imports of rice from Burma.

After the wartime lend-lease and UNRRA shipments stopped, exports of American farm products to the Soviet Union became insignificant. Prior to the 1930's and particularly before World War I, the United States exported sizable quantities of cotton to Russia. With the launching by the Soviet Government of a program of cotton self-sufficiency and the rapid expansion of Soviet cotton acreage in the 1930's, United States exports of cotton to the USSR ceased. Imports of Soviet farm products into the United States in 1956 amounted to $2,286,501, with cotton linters, bristles, and licorice root the most important items.

Foreign trade has been an exclusive government monopoly since the early stages of the Soviet regime. It is administered by the Ministry of Foreign Trade and conducted by a network of state-trading corporations and trade missions and commercial agencies abroad. The Soviet Government thus is the sole exporter and importer of goods. In view of the pervasive nature of the foreign trade monopoly, and indeed of the state monopolistic control of the whole economic system, conventional methods of foreign trade regulation or promotion are not used, or else they play a subordinate role in the Soviet Union.

Soviet foreign trade operations are conducted not solely on the basis of commercial considerations and motives, but also in the light of the more general Soviet economic, political, propaganda, and strategic objectives. Exports may, and in the past did, take place despite the existence of serious shortages within the country. Conversely, absence of exports does not necessarily mean that there are no surplus stocks available.

Soviet trading with a number of non-Communist countries and all Communist countries is governed by elaborate bilateral trade agreements, often containing clearing or barter features. Maximizing of trade with the Communist area has been an often-publicized goal of postwar Soviet commercial policy.

Domestic Agricultural Policy

The central objectives of Soviet agricultural policy since the late 1920's have been, first, to bring and maintain Russian peasant agriculture within the scope of the Soviet collectivist planned economy and control and to acquire increasing quantities of farm products for the needs of the state at low cost to the latter, (this facilitated the ambitious program of industrialization under the Five-Year Plans); second, to increase the inadequate production of food, feed, and fibers by large-scale methods.

The methods employed to attain these objectives have been forced collectivization of peasant agriculture, accompanied by mechanization; large expansion of acreage; attempted improvement of farm practices and yields of crops and animal products; and compulsory deliveries of farm products and similar levies at relatively low fixed prices.

Agricultural collectivization in the Soviet Union has been more thorough-going and far-reaching than in any other country of the Communist Bloc. It was completed by the middle 1930's, except for small plots of members of collectives and for their livestock. After World War II, collectivization was extended to the newly annexed border regions.

It has become intensified through widespread mergers and enlargement of the collective farms (kolkhozy--singular, kolkhoz) which reduced their number from about 250,000 at the beginning of 1950 to less than 85,000 in 1956. Although in theory the collective farms, formed by pooling formerly independent small peasant holdings, are supposed to possess a considerable measure of self-government and elect their own management, in practice this proved to be a fiction. The collectives have been subjected from the very outset to rigid control and planning by government and Communist Party authorities, who appointed and removed managers at will. Communist Party control over the collectives was not relaxed in practice by the post-Stalin administration, despite the recognition given to the desirability of decentralized planning.

With the growing emphasis on mechanization, an increasingly powerful instrument of government control over collective farming developed in the institution of the state machine tractor stations (MTS). They own and operate tractors, combines, and other complicated farm machinery servicing the collective farms. These farms, with some exceptions, are not permitted to own such machinery and are required to pay at specified rates, and mostly in kind, to the machine tractor station for each operation performed. Thus the MTS has become an increasingly important agency for government collection of farm products. Overlapping of management between collectives and machine tractor stations, and the conflicts and friction which it engenders, are a source of much inefficiency.

In the distribution of the collective farm output the peasants are largely residual claimants. However, in recent years measures have been taken which raised the amounts available for distribution and provided for a more regular and frequent payment in collectives through the device of so-called advances and guaranteed minimum wages for certain categories of workers.

Compulsory deliveries to the state at fixed prices of specified quotas of farm products, based on the total or tillable area of a farm, and payments in kind to the machine tractor stations have the first priority in the distribution of collective farm production. In addition, there are the extra-quota sales to the state at higher prices (but not at the usually still higher free market prices) which have become increasingly significant in the post-Stalin era. The government position vis-a-vis the collective farms can thus be likened to that of the bondholder in a corporation--reinforced, however, by wide powers of control. The collective farmers, on the other hand, bear all the risks, without a definite share in the income or an actual control, as distinguished from theoretical control, over the affairs of the collective. This situation powers a continuous, though mostly concealed, clash of interests between the Communist state and the peasants.

The collective farm is the predominant farm unit in the Soviet Union, accounting in 1956 for over 78 percent of the total sown area. In addition, there are more than 5,000 state farms, which are owned outright and managed by the government with the aid of hired labor as factories are. These huge farms, with an average sown area of more than 15,000 acres, have gained in importance, especially with the recent agricultural expansion on new lands beyond the Urals. Some collectives in that region and in suburban areas were converted into state farms, and a number of new state farms were established.

Collective farmers and some other groups of population are permitted to have small kitchen garden plots of their own and to possess a few animals per household. Such private farming plays a part in the Soviet agricultural economy out of all proportion to its small land area. It is particularly important in animal husbandry. In 1956, 47 percent of all cattle, 56.5 percent of cows alone, 38 percent of hogs, and 24 percent of sheep were still individually owned. The dwarf private farming, competing with the giant collective farm economy for the loyalty and labor of the peasants, has long been a "problem child" to the Kremlin. Yet the latter could not help but recognize its contribution to agricultural production and its importance to peasant morale. Hence, the alternate concessions to and restriction of this type of farming by the government.

Forced collectivization, which began with a terrible famine and which brought great suffering to the peasantry, enabled the Soviet rulers to acquire cheaply large quantities of farm products. But regimented collective farming belied the optimistic expectations of a rapid increase of agricultural production, based on the Communist thesis of superiority of large-scale methods of production in agriculture as in industry--a thesis reinforced by boundless faith in those American inventions, the tractor and the combine. The livestock sector and the closely related feed supply problem proved to be particularly weak links. The high government exactions, coupled with an overriding emphasis on the development of the heavy or capital-goods and armament industries, to the neglect of the light or consumers'-goods industries, greatly contributed to the weakness of Soviet agriculture.

The post-Stalin administration has been preoccupied since 1953 with an effort to remedy this weakness, without, however, essentially altering the basic collective farm structure or the imbalance in industrialization.

An important phase of the new program was an increase of economic incentives to the farmers through reducing compulsory deliveries and raising the prices paid by the government. The lagging capital investment and input of agricultural machinery, commercial fertilizers, construction, and so forth, were increased. Measures were taken to increase or retain skilled labor on farms and to bring agricultural specialists nearer to grassroots. In order to increase the lagging feed supply, which adversely affected livestock production, a large shift to corn growing was decreed in 1955. But the soundness of this program is still doubtful because of the unsuitable climatic conditions for corn in many of the regions where its growing was undertaken without adequate preparation. A large expansion to grain, mostly spring wheat acreage on the virgin and long uncultivated land in the semiarid zone beyond the Volga and the Urals, has also been undertaken since 1954. Although an exceptionally good crop was grown in this area in 1956, the short growing season and frequently recurring droughts make for low average yields and may easily result in dust-bowl conditions. Considerable expansion of irrigated cotton acreage in Soviet Central Asia is also taking place, but nonirrigated cotton-growing in the southern regions of European USSR was abandoned, because of low yields.

While a considerable measure of improvement in the agricultural situation has been officially reported under the post-Stalin farm program, aided by favorable weather conditions, inadequate production statistics preclude a full assessment of the progress made. However, experience does not augur well for a quick remedy of the chronic weakness of Soviet agriculture while the policy of regimented, even if somewhat streamlined, agrarian collectivism is continued.

YUGOSLAVIA

Yugoslavia, a leading European exporter of grain and hogs before the war, is now an importer of agricultural products. Agricultural exports, which before the war were three to five times the value of agricultural imports, during 1952-55 were about half the value of agricultural imports. The United States share averaged 52 percent during 1952-55. Of this, 84 percent was imported under surplus disposal programs and consisted chiefly of wheat, cotton, and lard.

While heavy industry took priority in postwar policy until 1956, increased agricultural production now takes precedence, and according to recently announced policy, "development of agricultural production and social transformation of the countryside are one inseparable process." The "general agricultural cooperatives" will be emphasized as the economic units of the villages and are expected to become the nucleus of socialization.

Socialization of agriculture through collectivization was stressed until 1951; when unsuccessful, this policy was changed. At the end of 1955 only about 3 percent of the arable land was collectivized compared to the peak of about 25 percent in 1951. Since 1953, private ownership of land has been limited to 25 acres.

All foreign trade is carried on by socialized firms under a system of multiple exchange rates. Yugoslavia has bilateral trade agreements with a number of countries, some of which provide for the purchase of wheat, cotton, and oilseeds.

Prices to producers are fixed for industrial crops, which are grown under contract. For grains a voluntary contract system was introduced when compulsory deliveries were abolished. Minimum prices or, if higher, open market prices are guaranteed for contracted grains. Retail prices are free except those for bread, sugar, vegetable oils, and flour.

Greater emphasis will be put on melioration projects which aid agriculture. Several large reclamation projects are now under way. The most important is the Danube-Tisa-Danube Canal, which will drain or irrigate the most productive agricultural area in Yugoslavia. Credits to farmers are granted through the general agricultural cooperatives. Subsidies on fertilizers and seeds, formerly available to farmers contracting their crops, have been extended to all farmers. The farmers who sign contracts, however, may buy the seed and fertilizer on credit with repayment after harvest.

POLAND

Poland is not quite self-sufficient in food. In 1956, food imports accounted for about 14 percent of all imports and food exports for about 12 percent. Poland also imports substantial quantities of farm-produced raw materials. The Soviet Union and other Communist countries apparently provided the largest share of Polish agricultural imports. During 1957-58, imports of farm products are likely to rise because of the intended rebuilding of stocks, and particularly because of the agreements concluded with the Soviet Union and the United States. The United States, for the first time since the early postwar years, will again be an important supplier.

Although Poland's agricultural policy is still that of a Communist country, it now aims at the development of all farms, regardless of whether they are privately, publicly, or collectively owned. Forced collectivization has been halted. Cooperatives of the traditional type are encouraged. Socialization of agriculture has become a more vaguely defined long-range goal. Some public land is even to be surrendered to private farmers. By 1960, agricultural production is to exceed the 1955 level by 25 percent.

Foreign trade is a state monopoly. (The formation of a mixed government-private company has recently been announced as a token step; it may handle the foreign trade of small enterprise.) Trade in farm products, mostly transacted within bilateral agreements, is in the hands of state agencies ("Animex" for livestock products, "Rolimpex" for other food products).

State control over farm production and marketing is now being relaxed. The price differential between fixed low prices for obligatory quota deliveries, higher prices for other sales to the state, and still higher prices obtainable on the free market tends to narrow, since several quota prices have been raised and the quotas themselves reduced. The former quasi-monopoly of the government for the purchase of farm products is to be gradually replaced by a more elastic form of marketing. Production controls are being relinquished and the farmer is regaining freedom to produce what appears most advantageous to him.

Up to 1956, aid to agriculture was directed primarily to the socialized sector; private farms not only received very little assistance, but were discriminated against as a matter of principle.

Henceforth, grants to socialized farms are to be largely replaced by loans, which, to a larger extent than before, will also be available to private farmers. Respect for private farm property, long in abeyance, has been restored and the buying, selling, and renting of land legalized. Private farmers will now also be able to acquire equipment and other means of production, which, in past years, were almost exclusively allocated to the socialized sector. Taxes on agriculture, a heavy burden for larger private farms, are being eased.

Agricultural schooling is now more extensive than before the war. The rather ineffective extension service is to be improved by laying greater stress on technical advice than on political propaganda.

The rural settlement of some sparsely settled western Provinces, an old policy goal, is gaining momentum, since resettlers may now expect security of tenure as private farmers, instead of being forced into collectives on their new homesteads as in the past.

CZECHOSLOVAKIA

Czechoslovakia is heavily dependent on agricultural imports, most of which come from the Soviet Union and other Communist countries. In 1955-56, farm imports amounted to at least $200 million. United States exports of farm products to Czechoslovakia were insignificant. All foreign trade is state-controlled and mostly transacted within bilateral agreements.

Agricultural policy aims primarily at the socialization of agriculture. Increased output is an important, but apparently secondary, goal. By 1960, socialized farms are to embrace the major part of the agricultural area and are to play a preponderant role in output and marketing. By that time production is expected to have risen 30 percent above the 1955 level.

All farms are under close government supervision. Many phases of agricultural life are centrally planned and even minute details of farm operations are regulated by decree, at least in theory. A multiple price system is in force, most prices being officially fixed. Compulsory deliveries apply to the bulk of the marketable farm output. Certain products are acquired by the government through contract buying. A small part of the output may be freely sold by the peasants either to the government or on the open market.

State farms enjoy every kind of state assistance. Collectives benefit from direct subsidies and from grants for buildings and equipment. They are especially favored by regards compulsory deliveries, credit facilities, and tax exemptions in contrast to private farms, particularly larger ones; until recently these have been discriminated against in every way, but they receive more consideration now.

State tractor stations play an important--though often ineffective--role in state aid to agriculture. They are instrumental in carrying out mechanized field work in collectives and, to a small extent, on private farms. They are also the main local centers of the rural extension service. The latter as well as the number of agricultural schools has greatly expanded since prewar, but standards have deteriorated.

Government efforts during the past 2 years to halt and even reverse the decline in farm labor--one of the most serious obstacles to agricultural expansion--have succeeded, but attempts to bring again to cultivation land abandoned by the expelled German farmers have been less successful.

EAST GERMANY

East Germany (the Soviet Zone of Occupation), with a population higher and agricultural output lower than before the war, has to import large amounts of agricultural commodities. Almost all of them come from the Soviet Union and other Communist countries. United States farm exports to East Germany are insignificant. All foreign trade is state controlled.

The main goals of agricultural policy are expansion of output and extension of the socialized sector in agriculture. Output by 1960 is to exceed the 1955 level by more than one-fifth. Socialization of farming is a long-range aim without fixed targets, varying in method and timing so as to avoid excessive disruption in production.

Farming is strictly regimented, but the system of rules and regulations to which it is subjected has become less rigid during the past 2 years. State directives to individual farms as to what and how much to produce have now been largely abolished. However, compulsory delivery quotas still limit the farmer's choice to produce what is most advantageous to him. Prices are closely regulated. In spite of some recent price increases, there remains a considerable spread between the low prices paid for compulsory deliveries (which comprise the bulk of the marketable output) and those paid by the government for deliveries in excess of quotas or under contracts. Moreover, there is a dual price system for retail sales. Partial food rationing is still in force, and the prices paid for rationed goods are much lower than those for goods obtainable in government stores or on the free market.

The heavy burdens imposed upon private producers led to the annual exodus of thousands of farmers from East Germany and from farms to cities. Thus agricultural manpower is shrinking. Progressive mechanization to offset this process and aid to agriculture in general are ineffective because they largely serve the regime's political intentions rather than economic aims.

HUNGARY

Agricultural exports, once the major source of Hungary's foreign exchange earnings, have been much smaller in postwar than in prewar times; in 1955, they accounted for 38 percent of the value of all exports, compared with 64-68 percent in 1933-37. Agricultural imports consist chiefly of raw materials, but substantial quantities of food have also had to be imported in some postwar years. Trade in farm products is mostly with East and West European countries; imports from and exports to the United States are insignificant.

Farm policy has two main goals: to socialize agriculture and to expand output. How to achieve these two goals at the same time is as yet an unsolved problem. The present official line, adopted after the uprising in the fall of 1956, is to ease the pressure for collectivization, but to promote its spread by supporting and developing the existing so-called producer cooperatives, thereby demonstrating their "advantages" to private farmers. In the meantime, individual enterprise is being allowed freer rein.

Foreign trade is handled by state trading agencies, mostly within the framework of bilateral agreements. Since the fall of 1956, trade from farm to consumer has been free from controls, though the abolition of compulsory deliveries led the government in April 1957 to require all but the smallest producers to pay the land tax in wheat, or, if the Council of Ministers so permits, other products (this year, rye, barley, or wine).

Production controls have also been relaxed, at least temporarily; some land may be bought by private persons; and farmers have been relieved of the obligation to take out compulsory hail and fire insurance and to contribute to agricultural development funds. Recently, the government announced new price and marketing regulations. State purchase prices have been fixed at levels said to be well above the average obtained by producers last year from compulsory deliveries and free market sales. Producers may sell where they choose, but grain for resale may be purchased only by authorized agencies. Restrictions have also been put on the slaughter of cattle and calves.

Planned investments in 1957 are much smaller than in 1956. Over one-third of the total for agriculture is said to have been allotted to the producer "cooperatives," in the form of long and medium-term loans. The remaining funds for agriculture are spread over projects for the up-breeding of livestock and support of village pasturing committees, seed improvement, plant protection, drainage, restoration of fountains and wells, rural electrification, and expansion of fruit storage and handling facilities.

RUMANIA

Farm products are an important source of foreign exchange for Rumania, though probably less so than in the 1930's, when they accounted, on the average, for about 45 percent of all exports of Greater Rumania. Food exports usually exceed imports, but in some years Rumania imports substantial quantities of grain. It regularly imports farm-produced raw materials, such as cotton and wool. Agricultural trade is chiefly with other European countries; there is little with the United States.

As in most Communist countries, socialization of agriculture and increased output are the two main goals of Rumanian farm policy. The government is attempting to push toward both. While it modified market and price policies at the end of 1956 in order to give farmers an incentive to produce more, it continues to press hard for collectivization. With additional state aid and support, the socialized sector, according to plan, is to furnish "in a short time" the larger part of the state's central pool of farm products, which is used to maintain urban supplies and to meet export commitments.

Foreign trade is government monopolized and conducted mostly within the framework of Rumania's numerous bilateral agreements. Internal trade is also state regulated in large part. Compulsory delivery quotas, abolished for all products except meat and wool on January 1, 1957, have been replaced by purchases and contracts; that is, contracts to purchase at previously fixed prices. Producers may sell where they choose, but purchases for resale may be made only by the consumer cooperatives or other organizations authorized by the state. The People's Councils (the state's local agents) are responsible for seeing to it that procurement via purchases and contracts yields the quantities of produce planned for the central pool. Prices for grains and some other crops are higher than the prices previously paid for compulsory deliveries, and producers who sign contracts may obtain special credits and certain other perquisites; the socialized sector gets extra advantages by way of prices or perquisites or both.

Agricultural investments planned by the state for 1957 are somewhat below the 1956 planned level. More than one-half of the total is allocated to the socialized sector, chiefly the Machine Tractor Stations and state farms, though provision is made for long-term loans to the various types of collectives. Loans to producers who contract to deliver produce to authorized agencies account for another 30 percent of the total. The remainder appears to be for financing the activities of the People's Councils in connection with maintaining and improving services to agriculture (e. g., plant and animal disease control, irrigation, drainage).

BULGARIA

Before the war Bulgaria was a net exporter of agricultural products, with about 95 percent of total exports coming from agriculture. The principal export was, and still is, tobacco, and agricultural imports were, and are, chiefly cotton and wool. The United States' share in Bulgaria's total prewar trade was less than 5 percent; cotton was the most important United States agricultural export and oriental tobacco the principal import. Today the United States ships no agricultural products to Bulgaria, but imports small amounts of tobacco, attar of roses, and herbs. About 85 percent of Bulgaria's trade is with the Soviet Bloc, particularly the USSR, which accounts for about 50 percent of total trade.

During the postwar years until 1955, industrialization, with emphasis on heavy industry, was the main policy goal. For agriculture, the general policy was collectivization with mechanization. Agriculture, the major sector of the country's economy, failed to keep pace with a growing industry. Present policy, while still emphasizing heavy industry, is also directed toward a proportionate development in agriculture. Complete mechanization and collectivization of agriculture are ultimate goals.

Foreign trade is a government monopoly, handled by State Commercial Enterprises. Bulgaria has bilateral agreements with a number of countries within and outside the Soviet Bloc. Some of them provide for the purchase of cotton, cereals, and vegetable oils.

Internal trade is subject to various market and price regulations. A portion of all agricultural products is purchased by the government from the producers under compulsory delivery and contract systems at fixed prices. Quotas for compulsory deliveries are based on the fertility of region and area of land. Under the contract system, a percentage of the crop is contracted and, in addition to the fixed price, consumer goods are supplied at reduced prices. Retail prices are fixed and are lower than prices obtained on the free market, where producers offer their surplus after fulfilling all government deliveries.

Private ownership of land is limited to 49 acres (74 in the Dobruja) but almost 80 percent of the arable land is reportedly in state farms, operated as model or experimental farms, and collectives. The income tax of the collectives, which are exempt from tax during their first 2 years, is computed at a fixed percentage regardless of income, while the private peasants pay according to income.

COMMUNIST CHINA

Dependence on Trade in Farm Products

Mainland China has a preponderantly agricultural economy. Agricultural raw materials and manufactured items made from agricultural products constitute roughly 70 percent of total exports. Thus, agriculture is by far the leading earner of the vitally needed foreign exchange required to pay other countries for equipment and materials that must be imported.

Prior to World War II, considerable trade was normal between China and the United States. However, trade with China made up a very small percentage of total United States foreign trade, whereas much of China's exports of such important items as tung oil, hog bristles, silk, and tea found a market in the United States. China, in turn, imported from the United States varying quantities of grain, raw cotton, and tobacco along with industrial products. The volume of China's total exports of agricultural goods to all countries reached $167 million in 1936, and imports of agricultural goods reached $66 million during the same period--the last year before the Japanese attack. China carried on substantial trade with countries in Western Europe and with its close neighbor, Japan.

In 7 years under the Communist regime, radical changes have taken place in the composition and pattern of Chinese trade. No trade has been carried on between Communist China and the United States since early 1951, at which time the United Nations declared Communist China an aggressor in Korea and imposed trade restrictions. This action by the United Nations required that member nations withhold from Communist China strategic materials that could be used for war-making purposes.

Earlier the United States had declared a total embargo on exports to Communist China and prohibited all financial transactions with Chinese Communist nationals. In addition, the United States joined 14 other major trading nations who voluntarily imposed and enforced restrictions on strategic trade with Communist China of greater severity than those applicable to the European Soviet Bloc.

The reorientation of Chinese trade toward the Communist Bloc and away from countries in the Free World, until an estimated 75 to 80 percent of total trade is now with the Communist Bloc, has been the result primarily of Chinese Communist policy and only secondarily of trade control pressures. Recent commercial and political pressures in the United Kingdom, Western Europe, and Japan to revive trade with Mainland China have resulted in a lowering of trade controls to the level of those applied to the European Soviet Bloc, but it is unlikely that this will bring appreciable increase in the value of trade.

It was to be expected that once World War II had ended China would again emerge as an important trading nation. The crucial question concerning China's future status as an importing nation lies in its ability to pay other countries for goods purchased. Undoubtedly the present regime, bent on developing heavy industry at any cost, has powerful economic incentives to export in order to pay other countries for equipment and materials required to build industry. But China has very little except agricultural products with which to pay, and before more agricultural products can be exported, production must be expanded.

Officials of the Communist regime have recognized--in what they write and say--that the nation's manpower, materials, and revenue resources are concentrated in the rural areas. Agriculture, in addition to being the major earner of foreign exchange, also provides more than 50 percent of all industrial raw materials. Moreover, it must provide in whole, or in part, food, clothing, shelter, and fuel for a population estimated to total more than 600 million and increasing by possibly 10 million annually. The magnitude of this demand on agriculture is enormous.

Policy Goals

Agricultural policy and programs.--Despite the need for more food and fiber to raise living standards, the regime has, since coming to power in 1949, followed a policy which puts first emphasis on developing industry, especially heavy industry. All other elements of national life, including other segments of the economy and the need to improve low living standards, are made secondary, sacrificed, or postponed indefinitely in the interest of rapid industrialization. The regime insists, however, that agricultural development is not and cannot be a secondary objective, that industrial expansion and agricultural development are interrelated, mutually compatable, and mutually reenforcing, requiring simultaneous development. This concept, the regime contends, has been incorporated into state plans as set forth in the form of 5-year plans.

This year, 1957, will end the first Five-Year Plan (1953-57), which will be followed by a second (1958-62). There is also a loosely drawn draft of a Twelve-Year Plan (1956-67) for agricultural development. Unlike the 5-year plans, the long-term guide is not worked out in any detail but simply indicates magnitudes and general objectives to be achieved during the period.

Essentially all of these objectives call for the people to produce more and eat less while accumulating capital for increasing productive capacity. Implementation of this policy stresses the power of the state and, consequently, the state strives continuously to assure its absolute rule over the entire countryside.

Policy on production.--The Communists have worked out a broad, comprehensive program intended to solve the many known weaknesses in the agricultural production sector of the economy.

During the first Five-Year Plan, the target called for a 23-percent increase over 1952, which was stated to be a good crop year. The second Five-Year Plan, beginning in 1958, calls for a 35-percent increase with 1957 as a base year. This is an accelerated rate of increase over the first plan.

Production increases are intended to be selective, with special emphasis on increasing those crops that are most essential to the state in pushing ahead with the industrial development plans.

As a result, such crops as cotton and other fibers, tobacco, and soybeans are favored. Also, state planners encourage the growing of high-yielding crops (corn and sweetpotatoes) and rice relative to wheat, for example. Production of livestock and important oilseed crops has suffered serious declines at the hands of the state. Officials have become alarmed at the sagging livestock and oilseed production. Countermeasures, including price increases, have been taken in an effort to arrest and reverse this trend. Meanwhile, reductions in exports of edible oils and pork have been promised for 1957.

Reliance on lavish use of cheap human labor is one of the chief characteristics of announced plans for overcoming problems of agricultural production. For the near future, massive human effort is counted on to carry out a program which calls for reclaiming small areas of land and intensifying the use of land already under cultivation by extending multiple cropping, close planting, applying more fertilizer, using improved seeds, and other practices that will increase yields quickly.

Announced plans also lay stress on improving irrigation generally, controlling insects and diseases, reclaiming new land, and building large-scale irrigation and power development projects, but many of these targets are long-term goals.

Officials of the regime make much of the need for mechanizing agriculture. But they concede that human and animal labor will be the chief source of power in China for many years. Only 10 percent of the cultivable area in China is scheduled for mechanized farming by 1962. Some slightly improved hand tools and horse-drawn equipment may be provided for the remainder. Meanwhile, such power machinery as does become available is assigned to state farms and for use in clearing new land.

Collectivizing agriculture. --During the past 2 years, collectivization activities have been the most dynamic phase of agricultural developments, and the significance of this overshadows anything else that has happened so far in China's agriculture under the present government.

This process has been carried out in four planned steps: Step one, land redistribution, was virtually completed by 1952. Communist officials then decided that step two, organizing peasants into mutual aid teams, must be taken immediately. This was followed by step three, forming the so-called producers' cooperatives, and finally, by step four, the emerging of the full collective.

The speed with which this has been pushed along came as something of a surprise to observers. Officials of the regime had indicated earlier a slower pace so as not to dislocate production too drastically. The go-slow policy was reversed in mid-1955, and all-out effort launched to press every peasant into collectives. By the end of 1956, the process was claimed to be more than 90 percent complete.

Ostensibly, membership in collectives is voluntary. Actually, the situation is rigged against the peasant so that he has no acceptable alternative if he wants to get supplies, to market his products, and to avoid the risk of accusation and punishment as a "counter revolutionary."

These collectives are, first and last, control mechanisms of undoubted value to the state in ruling the countryside. This side of the picture is denied by the regime, of course. Instead, a great deal of effort is directed toward convincing the people of the superiority of collectivized farming in promoting greater efficiency in the use of land, labor, and capital.

Regulation of Foreign Trade

In China, foreign trade is a state monopoly, controlled and operated by the Central Government under the direction of the Foreign Trade Ministry. Thus, trade is used as a political stratagem as well as for economic reasons. The state has exported foodstuffs despite domestic need; it can and will do so again if it envisages a political or economic advantage.

Importing by the state is dominated by heavy equipment and raw materials for industrial uses. On agricultural items for consumer use, the policy is to strive for rigid self-sufficiency. As a result, imports of agricultural products are insignificant. This constitutes a further change in China's prewar trade pattern.

Communist China's trade with the Soviet Bloc is believed to be on a barter basis. This has also been true for certain other countries, such as Burma and Ceylon. However, in trading with the United Kingdom and other Western countries, accounts are apparently settled on the basis of the pound sterling.

State trading, as practiced by Communist China, poses competitive problems for Free World countries engaged in foreign trade, not because China is an efficient producer, but because the state can, if it wants to, put large quantities of certain goods on the market without much concern about cost in the short run. Losses can be distributed and absorbed elsewhere in the general budget.

Internal Market and Price Regulation

The state fixes prices paid to producers at whatever level it deems advisable and also guarantees a market. This power to establish prices is used as one means of directing production resources into uses most helpful to the regime's industrial development program.

Production is regulated by what the Chinese term a three fix: Fixed production, fixed purchase, and fixed sale of food products. This plan was adopted in 1955 and represents a further tightening of controls over production and disposition of agricultural products.

Recently, there have been some slight concessions toward permitting a free market to develop for trading in certain types of commodities. This move has been taken under the watchful eye of the state and is evidently restricted to handling perishable items and products that the state found difficult to manage.

Indirect Aids

As has been pointed out, the regime has a vital and urgent need to stimulate agriculture as its one best chance for financing industrialization. Actually, the two are inseparable in practice. This functional relationship, where industrial development moves with the fortunes of agriculture, assures a strong official interest and effort in agricultural problems.

The state budget for the first Five-Year Plan, however, included roughly eight times as much money for developing industry as for expanding agriculture. The second Five-Year Plan, as announced, is largely an extension of the first with only a possible slight shift toward agriculture and light industry.

During these first two planning periods, the regime is relying on the use of the traditional labor-intensive farming methods as a means of increasing production without spending large sums of money. This has the further advantage of keeping China's huge labor force employed during the transition period from an agricultural to an industrial economy.

If plans materialize, agriculture will in the more distant future be assisted by large-scale construction of multipurpose dams, land reclamation, and resettlement projects. Work is already being done along these lines, but only a beginning.

The regime insists, however, that even now when total effort is considered, agriculture and industry are taken together as first priority goals and that industry is not favored nearly so much as the wide difference shown in the budget would indicate.

It is pointed out, for example, that funds spent on transportation improvement and on increasing domestic industrial capacity so that agriculture can be supplied with fertilizers, insecticides, farm implements, and other supplies are of such direct use to agriculture that the cost might well be considered, in part, as an expenditure under the agricultural budget.

Also, agriculture receives assistance from state loans, advance purchases, and other programs that make farm supplies available. In addition, individual peasants and cooperative societies invest funds, time, and energy in agriculture. These are some of the reasons cited by the regime in support of the contention that industrial development is not pushed to the exclusion of agricultural programs.

The grain tax outwardly appears to be only about 10 percent of production. Actually, since the state buys the peasant's grain and resells it at prices determined by the state, the exactions on production can easily be upped. This state trading is an increasingly important source of revenue. But the state still considers agricultural taxes as an important source also. And since the government is now dealing with collectives, levying taxes should be easier.

Education and extension work are apparently given strong emphasis. A large force of workers is reportedly engaged in demonstrating and popularizing improved agricultural technology at the village level. Also, the regime has impressive plans at least for expanding scientific research in agriculture and professes a willingness to learn suitable technique from other countries. However, it has announced its intentions of learning and copying principally the techniques used by the Soviet Union.

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