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PROCEEDINGS

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FOREIGN TRADE AND AGRICULTURAL POLICY

by

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The topic "Foreign Trade and Agricultural Policy" is particularly timely and important. A study published in the December 1946 issue of "Survey of Current Business" indicates that farmers on the average receive directly about 80 cents out of each dollar of agricultural exports plus another 80 cents indirectly owing to higher prices for the reduced supply sold domestically. Thus, a change of a billion dollars in agricultural exports would be expected to result in a change of a billion 600 million in national gross receipts from farm marketings.

The significance of our foreign trade situation is also indicated by the value and volume of agricultural exports. The total value in 1946 was \$3,136,000,000. That is four times the 1935-1939 average, although the volume was only double pre-war.

Grain products, mostly wheat and flour account for a large share of the increase in overseas shipments of agricultural products. The value of such exports in 1946 was 10 times the pre-war 1935-1939 average, and accounted for over 21 percent of the total. Dairy products accounted for nearly 12 percent of the total value of all agricultural exports in 1946, compared with less than 1 percent pre-war.

Practically no eggs were exported in 1935-1939, but in 1946 eggs and egg products accounted for over 4 percent of the total value of agricultural exports. Pork, lard and canned meats other than pork accounted for one-eighth of the total value of farm products exported in 1946, compared with less than 5 percent in 1935-1939. Vegetable products increased to nearly 6 percent against 2 percent pre-war, but fruit products dropped to about 5 percent compared with 11 percent in 1935-1939.

The over-all increase in the quantity and value of agricultural exports was almost entirely in food products, as cotton and unmanufactured tobacco exports increased only moderately in value and cotton exports were smaller in quantity. In relative importance cotton exports dropped from over 42 percent of the total value in 1935-1939 to less than 16 percent in 1946, while tobacco accounted for about 10 percent in 1946 against over 16 percent in 1935-1939.

Our agricultural exports are more widely distributed over the world than may be supposed from the emphasis that has been placed upon the situation in Europe. Continental Europe, Eire, and the United Kingdom received most of the wheat and flour exported the last two years, although 39 percent went to other destinations during the period July 1946 through April 1947.

In value, exports to the United Kingdom, Eire, and Continental Europe accounted for 42 percent of the total during the calendar year 1946. The remainder went 26 percent to Canada and other North and Central American countries, 12 percent to South America, 14 percent to Asia, 5 percent to Africa, and 1 percent to Australia and Oceania.

With respect to policy, it seems appropriate to present to you the material on the subject from a report of the committee on post-war agricultural policy of the

Association of Land-Grant Colleges and Universities, October, 1944, entitled "Post-war Agricultural Policy."

"Foreign trade, an important factor in promoting prosperity, is subject to complex uncertainties; it is influenced by the policies of other governments as well as those of our own. But certain it is that Americans need to realize that exports can be paid for only with imports, and that a creditor nation can be paid only if it imports more than it exports."

"There is reasonable assurance of an active foreign market for American farm products for at least a few months after the end of the war in Europe. The United States has a vital interest in getting food to hungry nations, not only for humanitarian reasons but also because of the important role which food can play in restoring order.

"Whether shipments to Europe will long continue at a high level is questionable. True enough, it may take some areas on that continent several years to regain their pre-war food situation, but much production will be restored in a relatively short time. Also, wartime European food shortages are caused not so much by lack of food production as by interference with transportation and distribution, and the latter problems will be quickly reduced when peace comes.

"Europe's limited ability to pay for imports is likely to hold down the amount of American food it will receive during the post-war period. The lend-lease program, which provides goods to needy nations without specific provisions for repayment, is acceptable to most Americans as long as the war is on and probably for the emergency period thereafter, but is not likely to be favored as a long-run policy. Neither does sale on credit offer anything but a very temporary solution.

"Thus some methods of payment will have to be established if exports are to continue. In the long run, this country cannot expect to sell unless it is also willing to buy. If we follow a policy of narrow economic isolation, discouraging the importation of foreign goods into the United States, part of the price we shall have to pay is a curtailment of the overseas market for American farm products. An even larger price we might have to pay is another world war.

"Full opportunity to engage in export and import trade will be realized only if nations the world over permit it, making possible what is known as 'multilateral' trade. When this operates freely it is not necessary for each country to balance its export-import account with each other nation. For example, our large imports from the South Pacific help pay for our exports to Europe.

"If other nations resort to highly centralized governmental controls over trade for the sake of furthering military and political ambitions, then our export opportunities will be limited. Hence we have a vital interest in the forms of government established as well as the types of controls adopted. The United States is in a position to exercise leadership in insuring that world trade of the future is reasonably free, and should take advantage of that opportunity.

"In the past, obstructions to international trade have hit particularly hard the American producers of cotton, tobacco, wheat, hogs, and certain fruits. But farmers who produce for the domestic market also have been injured. When export outlets are reduced, those who would ordinarily produce

for such outlets tend to shift to commodities which are sold at home, thus intensifying competition in those lines.

"A two-price system to dispose of surpluses is being advocated. Under this plan products would be offered abroad at lower prices than those prevailing in the domestic market. This proposal has decided limitations. For one thing, it assumes the existence of an active world market ready to absorb any and all products which may be exported. It assumes further that other nations will not oppose a practice of dumping by the United States. This is unrealistic because most nations, including our own, have restrictions against dumping. Moreover, it is questionable public policy to supply consumers in other lands with products at lower prices than those charged our own people (except as this may be a part of a program of foreign relief). Were such a program to be employed, it would tend to restrict rather than expand foreign trade opportunities because it would lead to demands for additional import barriers to keep the products sold in this manner from returning to our own markets. This program clearly offers little by way of insuring large exports.

"Quite aside from the needs for foreign outlets for agricultural products, farmers stand to gain from international trade on two other counts: (1) expanding overseas markets for industrial goods favor a high level of employment in the cities, promoting a good domestic market for farm products; and (2) farmers as consumers benefit from having access to various imported products.

"Assuming that we shall be able to hold foreign markets for farm products, we nevertheless need to recognize that our agricultural exports will consist largely of the same kinds of commodities we shipped before the war. Although lend-lease operations have moved abroad American butter, cheese, eggs and beef, we do not ordinarily export much of these products because we are at a relative disadvantage in producing them, and hence cannot expect to continue exporting them in large quantities."

NOTE: No exceptions were taken to this statement by any of the members of the association and it appeared to represent one definite area of agreement.

