

Department of Agricultural Economics
and Rural Sociology

Eighth Annual
Agricultural Marketing Conference

Theme

"Exporting Ohio's Agricultural
Production To A Hungry World"

March 29, 1966

Committee:

Charles H. Ingraham, Chairman
John W. Sharp
Richard W. Skinner
Paul R. Thomas

FORWARD

The world is the market for Ohio's agricultural products. This is more and more evident as we evolve our agricultural policy and as international relations become more important.

The eighth Agricultural Marketing Conference appropriately deals with "Exporting Ohio's Agricultural Production to a Hungry World." This conference deals with more than exports. The marketing of Ohio's products for domestic use is influenced by foreign trade. The organization and management of agricultural marketing agencies in Ohio are influenced considerably.

The speakers and the discussion in this conference should be helpful in identifying problems of agricultural marketing in Ohio as well as give clues to important decisions that farmers, marketing managers, and food handlers will need to make in the next few years.

This conference is important to leaders as they participate in formulating agricultural policy both in Ohio and the United States. It makes a basic contribution toward the efforts that Ohio farmers and marketing agencies are making to expand and improve the marketing of agricultural and food products both domestically and to foreign countries.

Dr. Mervin G. Smith
Chairman, Agricultural Economics
and Rural Sociology
The Ohio State University

"EXPORTING OHIO'S AGRICULTURAL
PRODUCTION TO A HUNGRY WORLD"

March 29, 1966
PROGRAM

Dr. George F. Henning -- Honorary Chairman
Auditorium, Sisson Hall, 1900 Coffey Road

a.m.

- 8:30- 9:00 Registration -- Coffee and Donuts
- 9:00- 9:15 Welcome: Roy M. Kottman, Dean
College of Agriculture and Home Economics
The Ohio State University
- 9:15-10:15 "Ohio and The Export Market", Dr. Howard C. Williams
Dr. Howard C. Williams, Department of Agricultural
Economics and Rural Sociology, The Ohio State University
- 10:15-10:30 Break
- 10:30-11:15 "Expanding Agricultural Markets--Expanding Opportunity"
Herbert E. Harris II, Legislative Council
The American Farm Bureau
- 11:15-12:00 "Programs for Agricultural Exports"
David L. Hume, Assistant Administrator
Export Programs -- Foreign Agricultural Service

LUNCHEON

Auditorium, Agricultural Administration Building, 2120 Fyffe Road

p.m.

- 12:15 Luncheon
Presiding: Dr. M. G. Smith, Chairman, Department Agricultural
Economics and Rural Sociology, The Ohio State University
- 1:00- 1:15 "Trade Missions for Exporting Ohio Agricultural Products"
Governor James Rhodes
- 1:15- 2:15 "The Challenge of Food and Population"
Alan Berg, Deputy Director, Food For Peace Program
- 2:15- 3:30 Panel Discussion: "Analysis of Ohio's Future Export Position?"
Dr. Wallace Barr, Extension Economist, Public Affairs, Moderator
Dr. John W. Sharp, Prof., Grain Marketing, O.S.U.
Dr. Ralph L. Baker, Prof., Poultry Marketing, O.S.U.
Dr. M. Eugene Cravens, Prof., Fruit & Veg. Marketing, O.S.U.
Dr. Elmer F. Baumer, Prof., Dairy Marketing, O.S.U.
Dr. Thomas T. Stout, Prof., Livestock Marketing, O.S.U.
and Speakers

George F. Henning
Professor Emeritus
Department of Agricultural
Economics & Rural Sociology
The Ohio State University

Dr. George F. Henning, Professor of Agricultural Economics at Ohio State University, has been on the teaching staff there since 1927.

A native of Hicksville, in Defiance County, Ohio, he attended Ohio State receiving a degree of bachelor science in agriculture in 1920, master of science in 1925 and doctor of philosophy in 1933. From 1920-24, he served as county agricultural agent for the Agricultural Extension Service in Mercer County, then returned to the university as a graduate assistant in Agricultural Economics in 1924.

He joined the staff of the Ohio Agricultural Experiment Station in 1925 and has continued to the present time on a part-time basis.

He has advanced to the rank of assistant professor in 1927, associate professor in 1934 and professor in 1943. He held a social science fellowship at the University of California for the year 1929-30.

Dr. Henning did research in Livestock Marketing starting in 1925 and continued until 1964. Recently, he has been supervising research in the field of Financing Agricultural Business.

At the University he taught Agricultural Marketing, Cooperation in Agriculture, and Agricultural Business Management. At the present time he is working on the History of the Agricultural Cooperative Movement in Ohio.

Dr. Henning is the author of a number of publications in the field of agricultural economics and agricultural marketing.

He is a veteran of World War I and a member of the Alpha Zeta and Gamma Sigma Delta fraternities, American Marketing Association and The American Farm Economics Association.

REMARKS OF WELCOME*

Roy M. Kottman
Dean, College of Agriculture and Home Economics
Director, Ohio Agricultural Research and Development Center
Director, Ohio Cooperative Extension Service

On behalf of the College of Agriculture and Home Economics and The Ohio State University, I am pleased to have been given this opportunity of bidding you welcome to the Eighth Annual Agricultural Marketing Conference to be held on our campus.

My colleagues here at The Ohio State University join me in expressing the hope that this Conference will be of significance to each and everyone in attendance. As has been true in the preceding seven Conferences, our program today is dedicated to the task of taking a look into the future and attempting to suggest guidelines which may be helpful to those individuals, firms, organizations and other agencies that are working in or are closely associated with the marketing of agricultural products.

If this Conference follows the pattern of its predecessors, those of you in attendance today represent such groups as grain and feed dealers, livestock marketing agencies, meat processors, dairy plant operators, food and vegetable processing establishments, credit and finance agencies, the general farm organizations and a representative group of state and federal government representatives who deal with the day-to-day problems of agricultural marketing.

I am confident that we have present in our audience this morning many farmers who serve on boards of directors of agricultural marketing firms and who represent cooperative enterprises as well as private and corporate business firms.

The theme of our Conference this year is both timely and exciting. I am hopeful that the prospect of exploring the future potential for agricultural exports has attracted to our audience a great many more farm operators as well as members and officers of farmers' organizations than we may have had present at previous Conferences.

We sincerely hope that the papers to be presented here today and the discussions to be held will prove to be thought-provoking and imagination-stretching in nature. Our committee responsible for the planning of this Conference has made every effort to secure as program participants a team of individuals who are intimately acquainted with the subjects they are to present to us.

I am especially pleased that Dr. George F. Henning has been designated "Honorary Chairman" of this Conference. He has been associated

* Remarks of Welcome made in connection with the Eighth Annual Agricultural Marketing Conference, Auditorium, Sisson Hall, 1900 Coffey Road, 9:00 A.M., Tuesday, March 29, 1966.

with each of the previous seven Conferences and has made significant contributions to each of them. As you will note from your program, Dr. Henning recently retired after devoting 46 years of service to Research, Extension and Resident Instruction in agriculture in the State of Ohio. Dr. Henning is, as you know, a highly respected agricultural economist. He has provided outstanding leadership for many of our programs of livestock marketing, and has been the "spark plug" for programs dealing with cooperation in agriculture. He has, likewise, contributed immeasurably to our instructional and research efforts in agricultural business management during his many years of service at The Ohio State University. I am confident that you join with me in expressing to Dr. George F. Henning our most sincere appreciation for his multitude of contributions not only to Ohio's agriculture but to the agriculture of our nation and of the world!

Our College of Agriculture and Home Economics here at The Ohio State University, as well as our Ohio Agricultural Research and Development Center and our Ohio Cooperative Extension Service are all engaged at the present time in the task of exporting the "Land-Grant idea" to underdeveloped nations in Asia and Latin America. Whereas the theme of our Conference today is "Exporting Ohio's Agricultural Production to a Hungry World," our College, during the ten years since 1956, has had a theme of "exporting Ohio's agricultural technology to a hungry world." Our College currently has five staff members stationed at the Punjab Agricultural University in the State of Punjab in Northwest India and six others stationed in the State of Rajasthan at the Udaipur University located in the City of Udaipur, India. At the present time we have 31 staff members from those two universities working on their advanced degrees in agriculture at The Ohio State University.

Since 1964, our College has had a USAID contract with the Luiz de Queiroz School of Agriculture located at Piracicaba in the State of Sao Paulo, Brazil. This College is the agricultural college of the University of Sao Paulo. As in India, our task is to export the "Land-Grant idea" of combining Resident Instruction with Research and Extension activities in a state-supported university. While it is obviously too early to expect dramatic results from our contractual relationships in Brazil, I can report to you that developments at the Punjab Agricultural University in India are both dramatic and gratifying. For example, at the time we started our contract program at Ludhiana, in the Punjab, in September, 1955, there were at that institution about 30 staff members who had migrated from the agricultural college which had been previously located at Lahore in what is now Pakistan. The college at that time was housed in a small rented building and the students who were enrolled numbered fewer than 100. That was in 1955! Today, approximately ten years later, there are more than 300 faculty members, 100 of whom hold the Ph.D. degree. These faculty members are conducting 120 research projects in agriculture and in veterinary science. Approximately 200 of these 300 staff members are classified as senior research officers and they have 320 research assistants working with them on a wide variety of research projects. The total number of students enrolled in the Punjab Agricultural University, both

undergraduate and post-graduate students, now exceeds 2,000. Dormitories have been constructed to house 1,200 students. More than 300 residences have been constructed on the campus to house faculty members. Graduate training to the Ph.D. level is a requirement for all professors and associate professors and graduate work to the Ph.D. level is authorized in 15 departments.

I think you will agree with me that remarkable progress has been made within a brief span of just ten years. It is almost unbelievable that a university of such stature could be developed in so short a time. The research program now underway is likewise almost unbelievable! Wheat varieties have been developed which out-yield all other varieties in India by 15 per cent. Two new wheat varieties recently developed at the Punjab Agricultural University by crossing local varieties with Mexican dwarf wheats are giving outstanding performance. They are short and stiff-strawed, they tiller profusely, and they possess both high rust resistance and a capacity to respond to heavy nitrogen fertilization without lodging. These wheats offer the potential of doubling per-acre yields of wheat in the Northern Plains of India. Similarly, the University has developed two hybrid pearl millets which offer the potential to increase per-acre yields by 50 to 100 per cent over previously grown varieties. Cytoplasmic male sterile lines were utilized in the development of these new hybrid millets. One of these newly developed varieties, S-350, possesses both bird-resistance and high yield capacity. I only wish that we could develop an equally bird-resistant variety of corn to protect our Ohio corn crop in certain areas of the State against depredating blackbirds. Still another achievement in the Punjab has been the development of new high yielding varieties of chick peas. This is important because chick peas, or "gram" as it is called in India, is the most extensively grown crop in the Punjab.

I would give just one other example of what is being done in this effort by The Ohio State University to export the "Land-Grant idea" to India. This effort refers to soils research and agricultural extension programs. During fiscal 1964, approximately 1,400 fertilizer experiments were conducted by the university out on farmers' fields using varying rates and combinations of nitrogen, phosphorus and potash for production of 13 important crops of the Punjab. We have ample evidence that the Punjabi farmers are ready to increase fertilizer usage at an unprecedented rate if fertilizer can be made available to them in the quantities desired by them. We are convinced that an intensified effort by our country to export the "Land-Grant idea" to all of India would make a highly significant impact on food production in that country. The soils testing program now in effect in the Punjab has resulted in over 55,000 soil samples being submitted to the university for testing and as a basis for fertilizer recommendations during 1964-65. These are but a few of the accomplishments which lead me to believe that there is indeed hope for markedly improving the ability of underdeveloped nations to produce food and fiber.

In keeping with the theme of our meeting here today, I would report to you that I have been greatly interested in several of the

concepts which have been proposed relative to exporting food to the underdeveloped nations of the world. I have been especially impressed by the work done by the American Soybean Association in stepping up demand for soybeans, for soybean oil and for soybean meal. I have been particularly impressed by the fact that in spite of all of Japan's imports of soybean products, there has been an accompanying increase in the amount of red meat and poultry consumed by the Japanese. It would appear to me that people everywhere prefer meat, milk and eggs to plant protein foods whenever their economic situation permits them a choice. In other words, I don't subscribe to the idea that we will one day, and in the not too distant future, all be consuming only vegetable proteins. On the contrary, I am of the opinion that the people of all nations will be consuming both vegetable and animal proteins for all time into the future. Further, I believe that to the extent we are able to assist presently underdeveloped nations to move forward economically, we will catalyze huge new markets for animal protein foods. Certainly the evidence in Japan strongly substantiates this point of view.

I have not yet seen an official proposal for precisely the type of program that I would like to see attempted with respect to utilizing our United States agricultural abundance in the building of economies in the underdeveloped nations. I would very much like to see us take steps to provide precisely the kind and amount of food products which each underdeveloped country wants and needs to supplement its domestically-produced food supply. In other words, I believe there would be merit in our producing foodstuffs for export according to the specifications of each underdeveloped country with whom we would work out an appropriate agreement. As I would see it, such foodstuffs would be made available to them only if they would agree to utilize such food products as partial salary or wages for that portion of their population working on vitally needed economic development projects such as highways, railroads, shipping facilities, fertilizer plants and other industrial complexes needed on a high priority basis for the development of a viable economy. The currency of such underdeveloped nations which would be saved, because of our providing definite amounts of foodstuffs as partial payment to employees on these economic development projects, could then be moved "sideways" to employ persons presently engaged in agricultural pursuits out in the villages. This second group of individuals employed on economic development projects would, in turn, be partially paid with foodstuffs provided by the United States. Again, the local currencies which would be saved could be moved "sideways" to pull still another increment of subsistence farmers from the villages into the labor force for building all of the many types of facilities necessary to move the several most vital sectors of the economy forward.

If we were to utilize for such a project on a worldwide basis among the underdeveloped but free nations, the \$2.6 billion that we now use for production control programs and add to it approximately \$1.5 billion of new money, we would have available \$4.1 billion which could be paid to American farmers for producing foodstuffs according

to the specifications of the recipient underdeveloped countries with whom we would have contractual relationships. There is at least a modest amount of information which indicates that the figure of \$4.1 billion represents roughly the present food deficit in the underdeveloped nations of the free world. Since each dollar of cash farm receipts generates roughly \$3.00 to \$5.00 of economic activity throughout all of the off-farm segments of the economy, the \$4.1 billion of food produced under a worldwide program of this nature would add \$12 to \$15 billion to our nation's gross national product on which there would be a tax take at all levels. I am of the opinion that the tax take on this amount of economic activity would go a long way toward paying the majority of the farm cost for these foodstuffs. The multitude of jobs created and the boost to the total United States economy from \$4.1 billion of agricultural production would prove highly significant to the maintenance of full employment in our nation. I am confident, also, just as has been proven in the case of our exports of foodstuffs to Japan and Taiwan that we would, through this process, build long-term, stable markets for many of our United States food products in these nations as their development progressed to the point of being able to move forward "under their own steam."

I am convinced that purely giveaway programs will not catalyze very much lasting economic development in the underdeveloped nations. Our contractual relations with the underdeveloped nations of the free world must be meaningful so that there will be gain for them and gain for us! I firmly believe that mutual benefit can be achieved in "Exporting Ohio's Agricultural Production to a Hungry World." I am pleased that we are going to devote our energies and efforts to a discussion of that topic here today.

Thank you.

Howard C. Williams
Professor of Agricultural Economics
Department of Agricultural
Economics & Rural Sociology
The Ohio State University

Dr. Howard C. Williams is a native of Georgia. He was awarded his B.S.A. degree by Savannah State College. He has studied at the University of New Hampshire, Boston College, City College of New York and Cornell University. He was awarded his M.Sc. & Ph.D. degrees by The Ohio State University.

Dr. Williams was awarded a post-doctoral fellowship by the Social Science Research Council to attend the Institute on Quantitative Research Methods at North Carolina State College in 1956.

He has served two years on the staff of The Agricultural and Technical College of North Carolina as Assistant Professor and Associate Professor of Agricultural Economics. He served as visiting professor of Economics and Associate Project Chairman, Ford Foundation Economics Project, Nommensen University, Madin, Sumatra, Indonesia.

In 1964 Dr. Williams was awarded a Social Science Research Council travel grant to attend the International Conference of Agricultural Economists, Lyon, France. In conjunction with this grant he was also awarded a Mershon National Security Program Grant to visit the member countries of the European Economic Community to collect data on wheat blending practices and the structure of agriculture.

In 1964 President Johnson appointed Dr. Williams to the National Agricultural Advisory Commission. While on this commission he served on a Farm Labor Sub-committee.

He is the author of numerous articles and publications on Agricultural Marketing and Economics.

OHIO AND THE EXPORT MARKET¹

I have been assigned the topic "Ohio and the Export Market." However, I have taken the liberty to broaden the topic to "Ohio and International Trade." I don't think that this will surprise the committee too much for it has been my experience that program committees do not expect speakers to confine themselves to the topic assigned. Most committees that I have dealt with are more than happy if the speaker begins and ends with the topic assigned. I will do even better in that I will mention the topic several times during my discussion.

Interest in international trade is not new. We have always been interested. The discovery of America was motivated primarily by the stimulus of trade. The economic history of America had its beginning in an investment of European capital and labor. As America developed, trade and trade policy played a significant role. Our fight for independence was precipitated largely through English trade policy which was considered to be discriminatory and in violation of the rules of the game. During the 19th century, a major controversy developed between the North and the South regarding tariffs or free trade. Our domestic policies over the years have been greatly influenced by trade.

In terms of trade, we have passed through two stages and are now in the third. Prior to World War I, we were primarily shippers. That is, we were debtors and shipped goods in payment of debts. Following World War I we could no longer ship in payment of debt and hence began to sell. Today, with increasing competition, we have begun to merchandise. In the future we must become better merchandisers.

I commend you for taking the time to participate in a discussion of Ohio's role in feeding a hungry world. Your attendance indicates an interest.

Ohio has a vital stake and interest in international trade. In fact there is no community in this country which is completely immune from its influences. In some cases there are producers in direct competition with foreign producers. In other cases there are producers engaged in producing for export. Finally there are consumers who are interested in obtaining products as inexpensively as possible regardless of the country of origin. Agricultural exports might be called economic chain reactions that begin with increased demand for farm output resulting in more income on the farm, more processing activities preparing products for export, more transport facilities for moving the product. These provide jobs and paychecks for many people throughout the entire economy.

¹Dr. H. C. Williams, Department of Agricultural Economics, The Ohio State University.

What is the export market? The export market is one dimension of the total market we face. At times, we tend to differentiate between the domestic and the export markets. But even here, we encounter differences as to where the domestic market ends and the export market begins. I have seen a certain consumer product shipped from West Virginia to Ohio labelled, "export b _ _ _." Seriously though a particular market might possess certain unique characteristics, but similar types of problems exist in different markets in different parts of the United States.

Webster's Dictionary defines exports "to carry or send abroad, especially to foreign countries, as merchandise or commodities in the way of commerce." We define a market as the area of sphere within which price making forces operate. Putting these together I suppose we could state that an export market is one in which price making forces operate accompanied by physical transfers of goods between two countries. But if you are selling products in London or Paris on a more or less regular basis would you consider this any more foreign than similar transactions with a firm in Texas? With the advent of "Tel-Star," jet air travel, transcontinental telephone, television, does "foreign" have the same connotation? The essential difference is the erection of national boundaries with red tape and nuisances.

I remember reading Wendell Wilkie's book a number of years ago. At that time, if I had not known who Mr. Wilkie was I would have placed his comments in the same category with the comic strip "Buck Rogers and the 25th century." To refresh your memory I would like to quote from his book:

Wilkie, after having travelled 31,000 miles around the world stated: "The net impression of my trip was not one of distance from other peoples, but closeness to them. If I had ever had any doubts that the world has become small and interdependent, this trip would have dispelled them altogether... The physical business of moving from one country to another, or from one continent to another, was no more arduous than the trips an American businessman may make any day of his life to carry on his business."

After pointing out the fact that the Far East was as close to us as Los Angeles was to New York by the fastest train Wilkie states: "I cannot escape the conviction that in the future, what concerns the people of the Far East must concern us, almost as much as the problems of the people of California concern the people of New York.

"Our thinking in the future must be world wide."¹

¹Wilkie, Wendell, One World, Wolf Book Company, New York, 1943.

This was in 1943. Today his proclamation has become the central theme of our foreign policy. When one examines our global commitments, both military and economic (United Nations, North Atlantic Treaty Organization, Southeast Asia Treaty Organization, Organization of American States, Alliance for Progress, Organization for Economic Cooperation and Development, Inter-American Development Bank, International Bank for Reconstruction and Development, and others, the obvious conclusion is that our thinking has become world wide.

Current events indicate that in the future our world-wide activities will increase. For example last fall President Johnson in commenting on reasons for the Whitehouse Conference on International Cooperation said, "I have called this conference for one reason: I am determined that the United States shall actively engage its best minds and boldest spirits in the quest for a new order of world cooperation."

At the conference, the Committee on Intellectual Exchange stated the following:

"Cooperation is an eleven-letter word meaning action for mutual benefit. But in the sense that it applies to ICY, it means much more. It means working for and moving toward a functioning world community instead of remaining inside an archaic world arena. It means development of the world's resources for the world's good... It means education that leads at once to the comprehension of the values of human diversity and the recognition of a common kinship and destiny... The habit and perspective of cooperation must be an organic part of a people's approach to life, of their relationships to others, and of their foreign policies. And it must not be based simply on an abstract belief in the virtue of working together, but on a practical understanding of the great changes that have taken place in the world in this century."¹

The same tenor is found in all of the committee reports. These indicate that our involvement in world affairs will increase in the future.

In agriculture we must also think world-wide even from a self-interest point of view. Why? Economic and market development builds new outlets for us. The world demand for American food has been expanding more rapidly than the needs of the American market. During the decade of the 1950's while domestic consumption of farm products was increasing 14 per cent farm exports increased an amazing 80 per cent. Since 1960 exports have been increased further by 30 per cent. Currently the export market takes about 16 per cent of our agricultural production. The export market is more important to agriculture than to any other single U. S. industry.

¹Balk, Alfred, "I.C.Y. - A Report on the White House Conference on International Cooperation Year," Saturday Review, January 22, 1966.

WHY TRADE

Trade increases the quantity and variety of goods available to the consuming public. Without trade, we in the United States would be unable to have coffee, tea, cocoa, bananas, certain spices and essential oils. Naturally to have these we must trade. There are other goods that we can produce in this country, yet we do not, but instead trade. One might ask, "Why buy when we can produce them ourselves?" The answer to this question is rather simple and straight forward. We buy because we can buy them cheaper than we can produce them, or because of superior qualities, or because the quantity produced is insufficient to meet the demand, or it is more profitable to produce another good and exchange it for the good in question. Trade between two partners (countries) can mean that the consumption limit is pushed beyond the production limit. That is, higher standards of living can exist than in the absence of trade.

Some benefits of trade may be immediate. The importation of consumer goods such as radios from Japan made available a greater variety and number. Imports of Australian beef is said to have decreased the domestic price of beef. All these were beneficial to the consumer. Increased U. S. exports to other nations provide an expanded market, increased employment of domestic resources, labor, land, and capital. These obviously have an impact on the total level of economic activity and well-being of U. S. citizens.

The short-run impact of trade is thus beneficial or injurious, depending on whether exports of all goods are expanding faster or slower than imports, and whether you are a consumer, laborer, or owner of resources employed in the domestic production of the exported or imported commodity. The short-run injury of trade is that it may leave some resources--labor, land, or capital--temporarily unemployed. The seriousness of the injury will depend on the opportunities to employ these resources in other productive activities and the length of time necessary to move the resources to other economic activities.

The injury leads to long-run benefits of trade, through resource adjustment and re-employment.

In summary, it can be said that trade is based upon specialization and exchange. The benefits resulting from trade based upon the theory of comparative costs accrue from : (a) a more efficient utilization of resources among countries, (b) a higher level of living for all parties as a consequence of specialization and exchange, and (c) an extension of the market.

TRENDS IN EXPORTS

The United States is the world's largest exporter of agricultural products. We account for one-fifth of all agricultural commodities entering free world trade. The value of our exports in the last fiscal year, 1965-66, was slightly more than 6 billion dollars, up slightly from the previous year. Our exports today are almost twice what they were during the 50's; they are almost three times the quantities exported during World War II. (See Table 1.) As an indication of the value of agricultural exports, one might say that the value today is about six times the value of cash receipts from farm marketings in Ohio (for 1950 about 4 times.)

Commercial exports have more than doubled since 1956. Last year they had a value of 4.4 billion dollars, and represented about 70 per cent of total agricultural exports.

On the other hand, exports under governmental programs since 1960 have remained relatively constant at about 1.6 billion dollars, and since 1955 have ranged between 866 million, 1955; and 1.96 billion, 1957. Since 1955, we have provided about 16 billion dollars worth of agricultural products to needy people throughout the free world.

Exports of U. S. commodities under governmental programs do have an effect on total exports. The effects could be short- or long-run or both. The nature of the effects of these exports depends upon their impact on growth and development in recipient countries. Where these exports contribute to growth and development the long-run effect is increased U. S. exports. In the 1954-57 period, we shipped to Japan about 200 million dollars worth of aid in food under P. L. 480. Included in these shipments were wheat. Today Japan is one of our best dollar customers for wheat. In 1962, about 98 per cent of all agricultural exports to Japan were paid for with dollars while in the 1954-57 period, only 70 per cent were paid for with dollars.

In Spain, between 1954 and 1960, large quantities of agricultural products were shipped under P. L. 480. These aided Spain in its stabilization program. Following 1960 external reserves began to increase rapidly. Associated with this increase was a significant increase in imports of U. S. agricultural products for dollars--increasing from one million dollars in 1960 to 112 million dollars in 1963.

It should be pointed out that we often cite Japan, Spain, Italy, Taiwan and Israel as examples (successes) where aid (both food and technical) has contributed to economic growth and development and these markets were converted to dollar markets in a way short period of time.

To place this type of aid in proper perspective we need to examine some of the other countries; notably, India, Pakistan and Brazil. Between 1954 and 1964 these three countries received 3.9 billion dollars (42 per cent) of the total U. S. sales for local currency. India alone received 2.5 billion or 26.4 per cent of the total. Yet when we look to India we cannot consider our aid as being successful unless we evaluate it from the viewpoint of what would have happened had we not given aid. A recent USDA study shows that

TABLE 1
 U. S. Agricultural Exports: Value of Commercial Sales for
 Dollars and Government Programs, Years Ended June 30, 1951-65.

| Year ended June 30 | Total Exports | Commercial Sales for Dollars <u>1/</u> | Under Government Programs <u>2/</u> |
|-----------------------|------------------|--|---|
| --Million Dollars-- | | | |
| 1951 | 3,411 | 2,215 | 1,196 |
| 1952 | 4,053 | 3,430 | 623 |
| 1953 | 2,819 | 2,369 | 450 |
| 1954 | 2,936 | 2,331 | 605 |
| 1955 | 3,144 | 2,278 | 866 |
| 1956 | 3,496 | 2,129 | 1,367 |
| 1957 | 4,728 | 2,771 | 1,957 |
| 1958 | 4,003 | 2,752 | 1,251 |
| 1959 | 3,719 | 2,465 | 1,254 |
| 1960 | 4,517 | 3,207 | 1,310 |
| 1961 | 4,946 | 3,374 | 1,572 |
| 1962 | 5,142 | 3,482 | 1,660 |
| 1963 | 5,078 | 3,539 | 1,549 |
| 1964 | 6,067 | 4,481 | 1,586 |
| 1965 | 6,096 | 4,426 | 1,670 |

1/ Commercial sales for dollars include, in addition to unassisted commercial transactions, shipments of some commodities with governmental assistance in the form of 1. credits for relatively short periods; 2. sales of Government-owned commodities at less-than-domestic market prices; and 3. export payments in-cash or in-kind.

2/ Sales for foreign currency, barter, and donations.

Source: Foreign Agricultural Trade of the U. S., USDA, December, 1965.

between 1948 and 1963 crop output increased at an average annual rate of 3.1 per cent while population increased at the rate of 2.0 per cent. Between 1948 and 1955 the annual compound change in crop output per capita was 1.2 per cent, while in the period 1955 to 1963 the rate was 0.6 per cent, about one-half the rate of the earlier period. Total crop production increased from an index of 93 to 113 in 1963 (1957-59 equals 100). But there was an increase of 26 per cent in area under crops.¹

Through concessional sales and other types of aid we have apparently not been able to create those conditions necessary for "take off."

You will note that the countries we cite as successes have one thing in common, a pre-existing productive base and relatively high literacy rates. These are basic for economic growth and development. When these are present, aid facilitates growth. Without these and the non-use of aid to develop these, take-off becomes a long-run process.

As might be expected, the bulk of our exports go to a small number of countries, primarily the countries characterized by high incomes. In fact, in 1964-65 almost three-fourths of our exports went to 15 countries. Japan was the best market taking 750.2 million dollars or about twelve per cent of our total exports. Western Europe was the best area, taking about one-third of the total exports and one-half of commercial exports. (See Table 2).

How important are agricultural exports to the domestic economy? In recent years, about one dollar of every four dollars from export sales has been accounted for by agricultural commodities. About 15 dollars of every 100 dollars of gross income comes from the export market--17 of 100 dollars from cash receipts from farm marketings.

Another yardstick that might be used is to examine the quantities of agricultural resource inputs embodied in exports.

In fiscal year, 1964-65, the agricultural export market took the output of 71 million U. S. harvested acres--one of every four harvested. On the basis of the number of farm workers, U. S. agricultural exports accounted for the output of an estimated 870,000 farm workers--13 per cent of the nation's total. This amounts to about one of every eight workers.

The export market is more important for some agricultural commodities than others. For example, in 1964-65 the export market provided an outlet for 55 per cent of the 1964 U. S. wheat production; 56 per cent of the rice; 31 per cent of the feed grain sales by U. S. farmers; 30 per cent (51 per cent including bean equivalent of oil) of U. S. 1964 soybean crop. There are others that could be enumerated:

1/5 of raisins, dry edible beans, cottonseed
2/5 of tallow

¹Changes in Agriculture in 26 Developing Nations 1948 to 1963, ERS, USDA, FAE Report No. 2), November 1965.

TABLE 2
U. S. Agricultural Exports: Value by Country of Destination
Fiscal Year 1964-65

| Country | :Not adjusted for exports to: :Canada for storage, etc. 1/: | | Adjusted for exports to :Canada for storage, etc. 1/: | |
|------------------------------|--|--------------------|--|--------------------|
| | Rank | Value | Rank | Value |
| | | Million dollars | | Million dollars |
| Japan. | 1 | 750.2 | 1 | 757.9 |
| Canada | 2 | 618.6 | 2 | 460.8 |
| India. | 3 | 528.7 | 3 | 528.7 |
| Netherlands. | 4 | 423.6 | 4 | 475.2 |
| United Kingdom | 5 | 416.7 | 5 | 450.6 |
| West Germany | 6 | 406.1 | 6 | 415.7 |
| Italy. | 7 | 242.2 | 7 | 254.6 |
| Pakistan | 8 | 168.4 | 8 | 168.3 |
| Belgium-Luxembourg | 9 | 153.0 | 9 | 158.3 |
| France | 10 | 145.7 | 10 | 148.9 |
| UAR (Egypt). | 11 | 136.1 | 11 | 136.1 |
| Spain | 12 | 127.1 | 12 | 133.8 |
| Brazil | 13 | 107.0 | 11 | 107.0 |
| Yugoslavia | 14 | 105.5 | 14 | 121.3 |
| Korea, Republic of | 15 | 98.5 | 15 | 98.5 |
| Other. | | 1,669.1 | | 1,680.8 |
| Total. | | 6,096.5 | | 6,096.5 |

1/ Exports of grains and soybeans to Canada for storage pending their use to finish loading vessels moving through the St. Lawrence Seaway destined for foreign ports.

Source: Foreign Agricultural Trade of the U. S., published by Economic Research Service/USDA, December, 1965.

1/3 of cotton, rye, prunes, dried whole milk
1/4 of lard and tobacco

It could also be pointed out that new export records were set for corn, soybeans, variety meats, tallow, hides and skins.

Changing Patterns of Exports

There have been significant changes in commodity mix exported over the past six years. The percentages of soybeans and corn have more than doubled. Grain sorghum shipments have increased significantly (35 per cent) also, but barley and cotton shipments are down.

Grains, accounting for six of the top ten positions in our export trade, have become more export oriented in response to the rising food grain needs in the developing nations and to rapid growth in production of livestock. The food grains have been becoming increasingly dependent upon P. L. 480 and AID shipments. For example, in fiscal year 1964-65 seventy-eight per cent of wheat exports and forty-two per cent of the rice moved under these programs.

On the other hand, nine per cent of the feed grains, one per cent of the soybeans and one per cent of oilcake and meal moved under P. L. 480 and AID programs. However, 59 per cent of soybean and cottonseed oil moved under these programs.

Exports of corn and grain sorghums--the major high energy ingredients of mixed feeds--have grown rapidly since Western Europe and Japan began expanding and updating their livestock and poultry industries. Soybeans and soybean meal shipments have expanded in a similar fashion.

What About Ohio?

A recent study on U. S. agricultural export shares by regions and states reveals the following:

1. Ohio ranks third in the East North Central Region and eleventh in the nation in export shares among the states.
2. Its principal exports are feed grains, wheat, and soybeans.
3. The value of Ohio exports was 201.4 million dollars--the equivalent of about one dollar out of five of total cash receipts from farm marketings.
4. Accounted for the output of 18.4 thousand Ohio farm workers--one out of every twelve.

TABLE 3: Ten Leading Markets for Corn, Soybeans, Hides, Skins, Raw Cattle Hides, Turkeys and Inedible Tallow by Rank in Value, 1964

| Corn | | Soybean Oil Cake and Meal | | Soybeans* | | |
|-----------------|-------------|------------------------------|-------------|--------------|-------------|---------------|
| (1,000 dollars) | | | | | | |
| 1 | Canada | \$ 94,691 | France | \$ 21,255 | Japan | \$129,460 |
| 2 | Japan | 89,306 | W. Germany | 17,319 | Canada | 94,609 |
| 3 | U. K. | 89,107 | Canada | 16,913 | W. Germany | 78,033 |
| 4 | Netherlands | 86,195 | Netherlands | 14,844 | Netherlands | 62,269 |
| 5 | Italy | 62,597 | Spain | 12,471 | Italy | 31,974 |
| 6 | W. Germany | 49,745 | Belgium | 12,242 | Denmark | 25,028 |
| 7 | Belgium | 37,145 | Yugoslavia | 8,439 | Belgium | 22,083 |
| 8 | Spain | 27,815 | Denmark | 7,594 | Taiwan | 21,151 |
| 9 | Egypt | 23,167 | Italy | 5,486 | Israel | 20,923 |
| 10 | Israel | <u>9,739</u> | Hungary | <u>3,422</u> | U. K. | <u>19,469</u> |
| | Total | \$647,259 | | \$133,631 | | \$566,892 |

*Soybean oil shipments tend to be concentrated in AID countries.

(continued)

TABLE 3: Ten Leading Markets . . .(continued)

| Hides, Skins, Raw Cattle Hides | | Turkeys | | Inedible Tallow | | |
|-----------------------------------|-------------|-----------------------|-------------|-----------------|-------------|--------------|
| (1,000 dollars) | | | | | | |
| 1 | Japan | \$ 23,681 | W. Germany | \$ 8,393 | Japan | \$ 25,573 |
| 2 | W. Germany | 8,964 | Canada | 1,913 | Italy | 12,212 |
| 3 | Netherlands | 8,533 | Netherlands | 1,590 | Netherlands | 11,614 |
| 4 | Mexico | 6,738 | Italy | 940 | Egypt | 8,844 |
| 5 | Canada | 3,687 | U. K. | 364 | Poland | 8,574 |
| 6 | Italy | 2,756 | Austria | 270 | U.S.S.R. | 8,250 |
| 7 | Turkey | 2,025 | Hong Kong | 205 | Spain | 6,403 |
| 8 | U. K. | 1,935 | Switzerland | 185 | W. Germany | 6,312 |
| 9 | Latvia | 1,807 | Bahamas | 179 | Turkey | 5,722 |
| 10 | Spain | <u>1,326</u> | Bermuda | <u>172</u> | Pakistan | <u>5,619</u> |
| | Total | \$ 6 9,262 | | \$ 15,632 | | \$153,824 |

Note: Columns will not add to ~~total~~ because of omission of minor purchases.

Source: Foreign Agricultural Trade, 1965.

Assembled by Wallace Barr, Extension Economist, Cooperative Extension Service, Ohio State University

It should be pointed out that these statistics for Ohio must be used with caution. They were computed by multiplying the total value of exports by the ratio of Ohio to U. S. production.

To illustrate the necessity for caution, we made several calculations relating to wheat. As you all know Ohio is a producer of soft wheat. Now in 1963-64, Grain Market News indicates that 72,631 million bushels of soft red winter wheat were inspected for export. Using a price of \$1.79 per bushel, obtained by dividing the total value of wheat exports by the total number of bushels (I might add that this price is rather high and probably includes freight and insurance) we obtain a total value of \$130.0 million. This value interpreted literally indicates that about 50 per cent of the value of soft wheat exported was attributed to Ohio. I am told that almost all wheat exported from Ohio moves through either Toledo or Baltimore.

In 1963-64, 17.3 million bushels with a value of \$31 million moved through these ports. This means that even if all of the wheat that moved through Toledo and Baltimore had been grown in Ohio the state's proportionate share of wheat exported was twice the actual value of wheat moving through these ports. In fact, the value of soft red winter wheat moving through Toledo and the eight Atlantic was less than the value attributed to Ohio. This should indicate that caution is needed in the use of these data. I am fairly confident that there probably would be less discrepancy in the case of the other products.

There are data however which show that there has been a significant increase in the quantity of all grains inspected for export at the port of Toledo. There was a 372 per cent increase in 1965 over 1959. In 1965 the Port of Toledo exported 3.37 per cent of the total U.S. grain exports. See Table 4.

I have said very little about imports of agricultural products. It is argued that imports lower domestic prices. This is no doubt true, but the magnitude of the effect is probably much less than is supposed. About two years ago during the height of the beef import-domestic price controversy, Secretary Freeman, in testimony before the House Ways and Means Committee, stated that "...\$3 of the decline of \$3.70 in the price of choice steers in 1963 has been attributed to increased supplies from our own feed lots. Only about 50 cents of the decline is attributed to increased imports."¹

We imported from Australia \$300 million worth of products in 1963, five-sixths of which were agricultural. At the same time, Australia bought more than \$4 million worth of products from the United States, of which about \$390 million of these were industrial.²

¹ Statement before the House Ways and Means Committee on the Cattle and Beef Situation, June 4, 1964.

² Statement of Secy, of Agriculture, Orville Freeman, before the Commonwealth Club of California, San Francisco, July 24, 1964.

TABLE 4
Grain Inspections for Export at the Port of Toledo, 1959-1965

| Grain | 1959 000 bu. | 1960 000 bu. | 1961 000 bu. | 1962 000 bu. | 1963 000 bu. | 1964 000 bu. | 1965 000 bu. |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Wheat | 1,694 | 5,917 | 8,232 | 11,663 | 22,351 | 9,815 | 13,086 |
| Corn | 6,192 | 7,025 | 19,032 | 19,274 | 22,629 | 24,054 | 25,231 |
| Soybeans | 4,577 | 7,255 | 11,579 | 22,544 | 13,258 | 17,934 | 20,516 |
| Oats | ... | ... | 173 | ... | ... | ... | ... |
| <u>Total</u> | 12,463 | 20,197 | 39,016 | 53,481 | 58,238 | 51,803 | 58,833 |

In 1965, the Port of Toledo shipped no grain to domestic ports, except wheat which amounted to 2,603,000 bushels. In 1964, in addition to 2,405,000 bushels of wheat, 704,000 bushels of corn were shipped to domestic ports.

Source: Grain Market News, USDA

The Biddle survey reported the following:¹

1. We buy something like \$7.24 worth of Japanese goods yearly per person in the U. S., but Japanese buy \$14.78 worth yearly for every Japanese citizen from us.
2. Great Britain sells \$5.37 worth of goods yearly to every person in the U. S., but buy \$19.79 worth of U. S. merchandise annually for every one of their citizens.
3. France buys \$12.31 worth of U. S. merchandise annually for each of its citizens and sells us \$2.27 worth for every U. S. citizen
4. Taiwan buys an annual total of \$129.7 million worth of goods and sells \$56.8 million in the U. S. market.
5. Canada buys \$3.7 billion yearly and sells \$3.6 billion to us.

There are numerous other examples that could be cited. These examples indicate the favorable trade balance we enjoy. It is true that the incidence of imports falls more heavily on some industries than others but the total benefits gained more than offset the costs. Imports do force adjustments in resource use, but these adjustments contribute to increased long-run efficiency in the U. S. economy. See Table 5 and 6.

FACTORS AFFECTING EXPORTS

There are numerous factors which affect the level of exports in any given time period. Below are some of the more important factors.

Per Capita Incomes

Incomes affect the level of consumption. As incomes increase consumption increases. There is also the tendency to shift to higher cost sources of proteins in the diet. This leads, in general to increased demand for exports. A recent study by the Economic Research Service shows how and why food aid today will generate dollar trade in the years ahead. The study concludes that a 10 per cent increase in per capita income would have the following effects for the major regions of the world.²

¹ The Biddle Survey, Biddle Purchasing Company, New York, January 21, 1964.

²Reported in The Farm Index, Economic Res. Service, USDA, Feb. 1965, Pp. 17-20.

TABLE 5

U.S. Trade With Industrialized Countries of All Commodities, 1953-1964
(Millions of Dollars)

| Year | Japan | | EEC Countries* | | EFTA Countries** | |
|------|---------------|-----------------|----------------|-----------------|------------------|-----------------|
| | Exports to | Imports from | Exports to | Imports from | Exports to | Imports from |
| 1953 | 680 | 261 | 1,501 | 1,049 | 1,025 | 992 |
| 1955 | 648 | 432 | 2,127 | 1,138 | 1,495 | 1,029 |
| 1957 | 1,234 | 600 | 3,198 | 1,547 | 1,859 | 1,804 |
| 1959 | 935 | 1,029 | 2,395 | 2,401 | 1,557 | 1,804 |
| 1960 | 1,328 | 1,149 | 3,437 | 2,263 | 2,277 | 1,608 |
| 1961 | 1,730 | 1,075 | 3,502 | 2,223 | 1,943 | 1,511 |
| 1962 | 1,408 | 1,353 | 3,580 | 2,437 | 1,933 | 1,703 |
| 1963 | 1,689 | 1,494 | 3,884 | 2,514 | 2,034 | 1,819 |
| 1964 | 1,894 | 1,763 | 4,481 | 2,831 | 2,463 | 1,947 |

* Germany, France, Italy, Netherlands, Belgium, Luxembourg.

** Britain, Sweden, Norway, Denmark, Austria, Portugal, Switzerland.

TABLE 6
 Countries Buy More U. S. Goods As Per Capita Income Rises
 (1959-61 Average)

| Region | Income Per Capita Dollars | All Imports Per Capita from: | | Agricultural Imports Per Capita from: | | |
|--|------------------------------------|---------------------------------|----------------|--|---------------------|--------------------------|
| | | All Countries | U. S. Share | All Countries | U.S. Total Share | U.S. Share (\$ sales) |
| <u>Developed</u> | | | | | | |
| Western Europe | | | | | | |
| European Economic community | 855 | 158.81 | 18.34 | 57.89 | 6.27 | 5.78 |
| European Free Trade Assn. | 1,019 | 229.02 | 21.37 | 87.63 | 7.53 | 6.90 |
| Other | 281 | 48.54 | 6.83 | 10.91 | 3.28 | .71 |
| North America | | | | | | |
| Canada | 1,558 | 296.26 | 202.40 | 140.11 | 24.35 | 24.30 |
| U. S. | 2,289 | 83.45 | --- | 30.51 | --- | --- |
| Other Developed | | | | | | |
| Japan | 347 | 41.45 | 14.27 | 16.34 | 4.91 | 4.69 |
| Australia, New Zealand and Republic of S. Africa | 751 | 140.81 | 22.00 | 46.80 | 1.94 | 1.87 |
| Total | 700 | 132.54 | 22.88 | 48.13 | 6.09 | 5.27 |
| <u>Less Developed</u> | | | | | | |
| Africa | 107 | 33.83 | 3.31 | 6.11 | .86 | .19 |
| Asia (excluding Communist Asia) | 110 | 15.61 | 2.79 | 2.93 | .99 | .28 |
| Latin America | 282 | 37.04 | 16.18 | 6.37 | 2.33 | 1.74 |
| Total | 111 | 22.38 | 5.10 | 5.08 | 1.19 | .51 |

Source: Farm Index, ERS, USDA, February 1965.

- A. Developed 25 nations (North America, Europe, Japan, Oceania)
1. Total imports from all sources increased 9.6 per cent.
 2. Total imports from U. S. increased 10.9 per cent.
 3. Total commercial U. S. sales increased 13.0 per cent.
 4. Total agricultural imports from all sources increased 9.2 per cent.
 5. Total agricultural imports from U. S. increased 6.9 per cent.
 6. Total commercial agricultural sales from U. S. increased 14.2 per cent.
- B. Underdeveloped 56 nations (Africa, Asia, South America)
1. Total imports from all sources increased 15.2 per cent.
 2. Total imports from U. S. increased 8.0 per cent.
 3. Total commercial U. S. sales increased 10.7 per cent.
 4. Total agricultural imports from all sources increased 16.9 per cent.
 5. Total agricultural imports from U. S. increased 8.1 per cent.
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In the interpretation and use of these statistics one should do so with care. The basic data used to make these estimates were meager and no doubt subject to error. I think that there is little doubt as to the validity of the direction of change, but the magnitude of change could very likely either under- or over-estimate the change that will be realized.

When we look to the future per capita incomes will continue to increase. A recent study on commodity projections by the Food and Agriculture Organization indicates that Gross National Product per capita will increase at an annual compound rate of from 2.6 to 3.8 per cent for the high income countries and from 1.7 to 2.7 for the low income countries between 1958 and 1970. See Table 7. These data indicate that the gap between the "haves" and the "have nots" will widen. These data indicate further that if world wide markets on a commercial basis are to be developed efforts must be made to increase the rate of growth in the low income countries. The Food for Freedom program will attack this problem.

We recently made some income projections for Western Europe for 1970 and 1975. These projections indicate that incomes will increase about 50 per cent over 1960 in 1970 and will increase another 20-25 per cent by 1975.

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When we look to the future per capita incomes will continue to increase. A recent study on commodity projections by the Food and Agriculture Organization indicates that Gross National Product per capita will increase at an annual compound rate of from 2.6 to 3.8 per cent for the high income countries and from 1.7 to 2.7 for the low income countries between 1958 and 1970. See Table 7. These data indicate that the gap between the "haves" and the "have nots" will widen. These data indicate further that if world wide markets on a commercial basis are to be developed efforts must be made to increase the rate of growth in the low income countries. The Food for Freedom program will attack this problem.

We recently made some income projections for Western Europe for 1970 and 1975. These projections indicate that incomes will increase about 50 per cent over 1960 in 1970 and will increase another 20-25 per cent by 1975.

TABLE 7
Past and Projected Trends in Growth of Gross National Product

-Per Cent Per Year-

| <u>Region or Country</u> | <u>Trends GNP</u> | | | <u>Trends Per Capita GNP</u> | | |
|------------------------------|-------------------|------------------------|------------|------------------------------|------------------------|------------|
| | Past 1950-59 | Projected 1958-1970 | | Past 1950-59 | Projected 1958-1970 | |
| | | Low | High | | Low | High |
| <u>High Income Countries</u> | <u>4.3</u> | <u>3.9</u> | <u>5.0</u> | <u>3.0</u> | <u>2.6</u> | <u>3.8</u> |
| North America | 3.1 | 3.1 | 4.4 | 1.2 | 1.3 | 2.5 |
| Australia, New Zealand | 3.9 | 3.0 | 4.0 | 1.6 | 1.0 | 2.0 |
| Western Europe | 5.0 | 4.2 | 5.2 | 4.2 | 3.2 | 4.5 |
| Other W. Europe | 3.1 | 2.7 | 3.7 | 2.6 | 2.3 | 3.3 |
| Mediterranean Countries | 6.9 | 4.9 | 6.2 | 5.9 | 3.9 | 5.2 |
| EEC <u>1/</u> | 5.8 | 4.7 | 5.1 | 4.9 | 3.9 | 4.7 |
| Japan | 7.0 | 6.0 | 7.0 | 6.1 | 5.3 | 6.3 |
| South Africa | 5.0 | 3.4 | 5.0 | 3.1 | 1.5 | 3.0 |
| Argentina, Uruguay | 2.1 | 3.0 | 3.7 | 0.1 | 1.3 | 2.0 |
| <u>Low Income Countries</u> | ... | <u>4.1</u> | <u>5.2</u> | ... | <u>1.7</u> | <u>2.7</u> |
| Latin America <u>2/</u> | 4.9 | 4.7 | 5.5 | 2.4 | 2.0 | 2.8 |
| Africa, Near East <u>3/</u> | ... | 4.0 | 5.3 | ... | 1.5 | 2.8 |
| Asia, Far East | 3.5 | 3.6 | 4.9 | 1.4 | 1.3 | 2.5 |

1/ For the six countries of the Community, projections refer to total consumption expenditure and not GNP.

2/ Excluding Argentina and Uruguay.

3/ Excluding South Africa.

4/ Excluding Japan

Source: Agricultural Commodities - Projections for 1970, FAO, United Nations, Rome, 1962.

TABLE 8: Estimated Per Capita Private Consumption Expenditure in Constant U. S. Dollars 1960, 1970, 1975 for the Member Countries of the European Economic Community.

1960 Exchange Rate

| Country | 1960 | 1970 | | 1975 | |
|------------------------|------|-------|-------|-------|-------|
| | | Low | High | Low | High |
| France | 860 | 1,243 | 1,289 | 1,461 | 1,524 |
| W. Germany | 692 | 1,025 | 1,050 | 1,202 | 1,253 |
| Italy | 398 | 657 | 690 | 815 | 876 |
| Netherlands | 550 | 791 | 817 | 908 | 946 |
| Belgium- Luxembourg | 881 | 1,172 | 1,212 | 1,319 | 1,374 |

A recent study estimated Japanese per capita income to 1975¹. These data indicate that per capita income between 1960 and 1975 will more than double.

Projected Japanese Per Capita Income
-1000 yen-

| <u>Year</u> | <u>Income</u> |
|-------------|---------------|
| 1960 | 115 |
| 1965 | 154 |
| 1970 | 213 |
| 1975 | 277 |

N.B. one U. S. dollar equals 360 yen.

These data indicate an increasing demand for U. S. exports. If the new Food for Freedom program can increase appreciably growth rates in some of the low-income countries demand and U. S. exports for dollars could expand significantly. Secy. Freeman stated recently "If per capita incomes in developing countries were increased by only 100 dollars per year, we could expect to about double the 1.5 billion dollars of annual agricultural sales we now make to them." I hasten to add that increasing per capita incomes 100 dollars is no small feat, for in many countries this would amount to doubling per capita incomes.

¹Japanese Import Requirements: Projections of Agricultural Supply and Demand for 1965, 1970, and 1975. Institute of Agricultural Economic Research, Tokyo, Japan, 1964.

Balance of Payments

A balance of international payments is a statement showing all receipts (in flows), payments (out flows) and their difference over a given time period. Principal receipts items include: exports of merchandise, sales of services, expenditures by foreign tourist, interest and dividends on American-owned capital invested abroad, new investment of foreign capital in the United States and sale of gold to foreigners.

The principal payments items include: imports of merchandise, purchases of services, expenditures of American tourists abroad, interest paid on foreign-owned capital invested in the United States, new investment of U. S. capital abroad, purchases of gold from foreigners, unilateral transfers of dollars in the form of foreign aid and gifts (e.g., CARE packages) and expenditures for the support of the U. S. military establishment abroad.

Since 1954 the United States has been incurring deficits in its balance of international payments every year with the exception of 1957.

The problem did not become acute until 1958 when the deficit increased from less than one billion to 3.5 billion dollars. Since 1959, the deficit has averaged more than 3 billion dollars a year.

The balance of trade, which is distinct from the balance of payments, has been favorable for many years. Between 1954 and 1964 we exported a total of 203.7 billion dollars worth of goods. During the same period we imported 157.2 billion dollars, resulting in a 46.5 billion dollar surplus. Over this period imports increased but exports increased more resulting in a record 6.6 billion dollar surplus for the calendar year, 1964. The trade balance has been such as to reduce the balance of payments deficit in each accounting period.

Agriculture has contributed to a reduction in the balance of payments deficit. In 1964 the value of our agricultural exports exceeded the value of our imports by 2.3 billion dollars, contributed about one-third of the total favorable trade balance. During the first three quarters of last year there was a positive balance of 1.5 billion dollars. But if we look only at sales for dollars the net agricultural trade balance has been much smaller.

Balance of payments problems have had many effects on trade. Many of the developing countries which had balance of payments problems sought increased agricultural production--both staple food crops to reduce imports, and export crops to earn maximum foreign exchange.

Britain, faced with a payments problem about two years ago imposed a temporary 15 per cent surcharge on all merchandise imports except food stuffs, unmanufactured tobacco and basic raw materials; raised the Bank's discount rate from 5 to 7 per cent and proposed changes to stimulate the domestic economy.

TABLE 9: U. S. Balance of International Payments, 1954-64
 --billion dollars--

| | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Balc. on Current Account: | <u>+3.7</u> | <u>+4.2</u> | <u>+6.0</u> | <u>+8.0</u> | <u>+4.7</u> | <u>+2.1</u> | <u>+6.0</u> | <u>+7.4</u> | <u>+6.8</u> | <u>+7.1</u> | <u>+9.4</u> |
| Balc. on trade | (+2.4) | (+2.8) | (+4.6) | (+6.1) | (+3.3) | (+1.0) | (+4.8) | (+5.4) | (+4.5) | (+5.0) | (+6.6) |
| Balc. on investment earnings ¹ | (+2.0) | (+2.1) | (+2.3) | (+2.4) | (+2.4) | (+2.5) | (+2.6) | (+3.4) | (+3.8) | (+3.8) | (+4.5) |
| Balc. on transportation and travel | (-0.2) | (-0.3) | (-0.4) | (-0.1) | (-0.6) | (-0.9) | (-1.1) | (-1.0) | (-1.2) | (-1.4) | (-1.3) |
| Other current accounts | (-0.5) | (-0.4) | (-0.5) | (-0.4) | (-0.4) | (-0.5) | (-0.3) | (-0.4) | (-0.3) | (-0.3) | (-0.4) |
| Balc. on Private Capital Flows: ² | -1.5 | -0.7 | -2.6 | -3.2 | -3.0 | -1.7 | -3.6 | -3.8 | -3.3 | -4.1 | -6.4 |
| Balc. on Government Acct: ² | -4.0 | -4.9 | -5.1 | -5.4 | -5.7 | -5.2 | -5.5 | -6.1 | -6.0 | -6.1 | -5.7 |
| Misc., including errors and omissions: | +0.3 | +0.2 | +0.8 | +1.1 | +0.5 | +0.6 | -0.8 | -0.6 | -1.1 | -0.2 | -0.4 |
| Overall balc. on regular types of transactions: ³ | <u>-1.5</u> | <u>-1.2</u> | <u>-0.9</u> | <u>-0.5</u> | <u>-3.5</u> | <u>-4.2</u> | <u>-3.9</u> | <u>-3.1</u> | <u>-3.6</u> | <u>-3.3</u> | <u>-3.1</u> |

For footnotes, see following page.

Footnotes: Table 9 (previous page)

¹Investment Income Account includes income on U. S. Government loans.

²These figures do not take into account the earnings on private and government loans, or the exports of goods and services to which such loans give rise.

³As shown by the U. S. Department of Commerce under what is sometimes called the "liquidity concept."

Source: Survey of Current Business and the Report of the Review Committee for Balance of Payments Statistics...1965 (The Bernstein Report)-- Taken from the U. S. Balance of Payments and International Monetary Reserves, by Howard S. Riquet, American Enterprise for Public Research, Washington, D. C. February 1966.

The United States balance of payments problem is an important part of the larger problem of maintaining an adequate functioning international monetary system. The U. S. has announced its intention to eliminate its deficit and pushed the other members of the "group of 10" to plan now for the time when the United States will no longer supply the world with dollar reserves. In 1964 almost one-half of the free world's monetary reserves, outside the U. S., consisted of dollars.

The problem of international monetary reserves is dependent upon the degree to which countries are willing to permit their economies to adjust to each other through the interplay of prices and movement of capital and merchandise. Evidence indicates that most countries resist adjustment by restricting international trade and capital movements. Such actions aggravate the international monetary reserve problem.

Barriers to Trade

Even though we have demonstrated that it pays to specialize in production and to trade with others, there are many obstacles to the application of this principle when we buy from abroad. Even in this country in years gone by there were many obstacles which discouraged specialization and trade between states and regions. There are many kinds of barriers, some of which are discussed below.

1. Tariffs and import fees -- When people mention trade barriers they usually are referring to tariffs. These are taxes or import duties on goods brought into a country. They may be either specific or ad valorem duties. The former is a fixed duty based upon some physical unit of commodity, while the latter is a duty based upon the value of the commodity imported. Tariffs are the most widely used barriers but are not the most drastic. They do not completely prohibit imports, unless they are very high, since buyers are not limited in their purchases as long as they are willing to pay the added price due to the tariff. Tariffs can be managed and negotiated.

2. Quotas, embargoes, licenses -- Over the years, through contact with domestic agricultural programs, you have become familiar with the term "quota." It is a quantitative limitation on goods permitted to be traded. Embargoes, on the other hand, are a complete prohibition of trade. Licenses are government permission to individual traders to do business under specified terms and conditions. These measures are more drastic than tariffs and serve not only to limit trade, but in many instances add materially to the red tape and cost of doing business. For example a number of countries -- Ireland, United Kingdom, Norway, and Denmark -- restrict poultry imports from the U. S. because new castle disease is endemic in the U. S. France prohibits imports of U. S. poultry because we do not ban the feeding of certain oestrogens and arsenicals. Several years ago through marketing boards, Germany maintained strict control over cereal imports. Most countries today use quotas as a means of limiting imports. Quantitative import restrictions are in operation in U. S. for certain commodities -- wheat, wheat flour, peanuts, cotton, some dairy products. Section 22 of the Agricultural Act of 1933 as amended is concerned with this.

3. Exchange controls -- These are direct controls of the purchase and sale of foreign currency. For example, if a merchant in Japan wanted to purchase U. S. wheat, he would have to exchange his Japanese yen for U. S. dollars. Where exchange controls are in effect he would not be able to do this without first obtaining permission from his government. Many countries employ exchange controls. For example, in Latin America, Argentina, Brazil, Chile, Colombia, Guatemala, Paraguay, and Venezuela employ such controls. This could be a very grave restriction on trade.

4. State trading or trade monopolies -- These involve direct government control of the purchase and sale of goods moving in domestic and international trade. The Canadian Wheat Board is a type of state trading monopoly. The French National Cereals Office has been a type of state trading monopoly that has not only rigidly controlled the export and import of cereals, but movement into and out of storage, and the location of storage within the country as well. West Germany has employed marketing boards to regulate domestic and international commerce. The Irish Dairy Produce Export Board is a state monopoly in the purchase and sale of butter for export. Russia (and other countries behind the iron curtain) can use its state monopoly for military and political gains at the expense of economic gains.

5. Bilateral trade agreements -- These are government agreements to exchange specified products, usually within a stated total value. The major barrier here is to limit the opportunity for trade with other nations.

6. Preferences -- These are concessions in the form of lower-than-usual tariff rates on imports from certain countries usually because of special economic or political relations between the countries concerned. Notably examples of such arrangements include the United Kingdom and members of the British Commonwealth and the European Economic Community and the associated overseas territories. The consequence of such action is to place other nations at a disadvantage in attempting to compete.

7. Buy at home legislation -- Some countries require the use of goods produced at home. Our Federal and many of our state and local governments are required to "buy American." Our Federal government is prohibited from buying foreign materials or commodities made from foreign materials unless these materials are not available domestically or unless the prices of corresponding domestic items are "unreasonable." The "Buy American" Act which came into force in 1933 authorized the Government to give an American firm preference over a foreign firm, even if it costs from 6 to 12 per cent more (according to the rate of unemployment in the area concerned) on the condition that the value of American materials used in the work is not less than 50 per cent of the total cost. National preference was applied only to goods intended for use within the United States up to the Kennedy Administration, when application was extended to purchases of goods for use abroad.

We are also required to buy "American shipping." For example, at least 50 per cent of Food for Peace shipments must move on American bottoms. This results in increased costs of shipping. Several years ago it was estimated that the labor cost for a ship operated by the U. S. was almost twice that of one operated by England.

8. American selling price -- ASP affects organic chemical products and some others--rubber soled shoes, clams in tins, knitted woolen gloves and mittens whose value does not exceed \$1.75 per dozen pairs. Under ASP the value of goods is based upon the wholesale price in the U. S. of the competing American products including all expenses and profits of sale. The net effect is an increase in the import price which in some cases becomes prohibitive.

9. Variable import levies -- This is a new type duty that is now being used by the member countries of the common market. There is no fixed rate of duty. The rate is varied to meet differences between domestic prices and the delivered price of the commodity exported. In practice the levy can vary daily. In computing the levy, the difference is taken between the lowest c.i.f. price of a bonafide offer and the government desired price adjusted for certain factors. The levy is outside the scope of the Trade Agreement Program since it is not a negotiable rate. It thus becomes a real barrier to trade.

There are many other barriers to trade, all of which tend to restrict trade.

Trade policy is concerned with reducing barriers to trade.

UNITED STATES TRADE POLICY

For nations to trade with each other there must exist means for "goods" exchanges. These means are obtained through selling either to the nations entering into the trade or to other nations. However, all nations that trade, over time, must sell in order to obtain the means for trade. The general United States position since the early 1930's has been that foreign trade strengthens both the U.S. and foreign economies and that international trade must be a two-way flow. Our policies with respect to tariffs over the last thirty-two years have reflected this general position. For example, the Reciprocal Trade Agreement Act of 1934 permitted the President to make trade agreements with foreign countries, lowering tariffs by not more than 50 per cent for concessions by other countries. The Trade Agreements Extension Act of 1958 authorized the President to lower tariffs by 20 per cent, or 2 percentage points over a 4-year period and to reduce to a maximum of 50 per cent ad valorem, the individual rates still above that level. Between 1936 and 1958 tariff rates on dutiable imports were reduced about 50 per cent.

The United States favored the establishment of an International Trade Organization, but settled for the GATT -- General Agreements on Tariffs and Trade -- a stop gap arrangement in 1948 pending the entry into force of the International Trade Organization which never got off the ground. The GATT has assumed a leading and significant role in world trade relations. Through the GATT, bilateral trade, which is not conducive to rapid trade liberalization has been supplanted by multilateral trade negotiations which have significantly liberalized world trade.

The passage of the Trade and Expansion Act in 1962 will go down in history as a milestone in U.S. trade policy. The act gives the president broad powers to bring about a substantial reduction in trade barriers. These powers include: 1. reduce all tariffs by 50 per cent over a 5-year period, 2. reduce tariffs by 100 per cent on those items where the United States and the common market countries constitute 80 per cent of world trade, and 3. in lieu of the use of the escape clause to return a reduced rate to the previous rate, the president may permit trade adjustment or special financial benefits to enterprises and workers who are demonstrably damaged by import competition resulting from the reduced rates. At the time of its passage some one remarked that President Kennedy was so determined to have a liberal trade policy that he was willing to raise every American trade barrier to obtain it.

The Act singled out and identified for the first time specific trading partners and set forth special negotiating procedures and provided for "across the board" negotiations rather than a commodity by commodity approach that had been used previously. The latter grew out of a recognition for the need of increased bargaining ability in dealing with the European Economic Community. Our agricultural exports represent about 25 per cent of total exports to the

community, while our agricultural imports from them represent about 10 per cent our total imports from them. Thus the Act does indeed strengthen our bargaining position for we can use non-agricultural trade to balance the need for access to the community's agricultural markets. For example, in the chicken war about three years ago we were awarded \$26 million damages. As a retaliation we increased duties on some Volkswagens, dextrine starches and French wines.

This Act also led to the present round (6th) of GATT negotiations which were begun in 1964. Progress to date in these negotiations indicate that little will be accomplished before the expiration date, July 1967, of the Trade and Expansion Act.

More recently, the United States has advanced the concept of "market access" in which no nation would be denied entry into a market and would be allowed to share in the growth of that market. We demonstrated our willingness to accept such a policy when during the height of the beef import controversy we entered in voluntary meat agreements with Australia, New Zealand, Ireland, and Mexico to limit their exports to us. The agreement established quotas and provided a growth factor of 3.7 per cent per year.

The new type of levy imposed by the common market had some influence on our adoption of a "new approach."

FUTURE PROSPECTS

Current projections indicate that by 1970 our agricultural exports will rise to or slightly above 7 billion dollars -- with most of the increase in dollar sales.

I personally feel that this underestimates the level of exports by 1970. I feel this way for a number of reasons:

1. First, past and current events in the European Common Market indicate that it will become a better customer of ours. The Community has been able to increase its rate of economic growth. Associated with this growth is increased demand for agricultural products, particularly livestock and livestock products. Projections of consumption of livestock and livestock products to 1970 indicate increases ranging from 19 to 98 per cent in per person consumption for individual meats. Total consumption of meat would increase 3.7 billion kilograms (8 million pounds) or 50 per cent. The significant fact here is that even if these increases were realized, the per capita consumption would only be 72 per cent of the level of consumption in the United State -- in the case of poultry 55 per cent; beef 69 per cent. You can see that there is a lot of room for expansion of meat consumption.

Now to obtain these livestock products the Community can either import these products or import feed and produce the products themselves. I feel that it is obvious that it will import feeds. There

are a large number of small farms ideally suited for feed-lot type of operations. In addition livestock products are of higher value and their production would be favored.

In the community conditions have been such that only poultry and hogs were fed grains and concentrates. When I was in Europe in 1964, I was told that West Germany and the Netherlands had begun on a small scale to feed out beef, which in the main had been grass fed.

To produce this meat, feeds and feedstuffs are required. I personally feel that the land base is not there for an expansion of output of feed grains to adequately meet the demand. I talked with several European Economists who felt that the Community could increase production proportionate to the increase in demand so that imports in 1970 would be the same as in 1964.

But, even if it were possible to produce this feed grain, there would still be a need for high protein supplement and of course soybeans has a role to play here. About two years ago we projected soybean exports of 261 million bushels in 1970 and 310 million bushels in 1980. In 1960 we exported 148 million bushels. In 1965 230 million tons were exported. This might indicate that our estimate was low.

Our exports of soybeans to the common market have more than doubled since 1958-59. In 1963-64 they totalled 74 million bushels, or 40 per cent of our total exports. Our exports of soybean meal increased nearly six times, totalling 750 thousand short tons in 1963-64. In 1963 soybeans and soybean products constituted almost 20 percent of our total agricultural exports to the common market.

One important factor has been the prices of soybean meal and feed grains -- principally feed barley. Dahl reports that in West Germany soybean meal is actually priced lower than barley. In the period 1956-62 the average price of barley on the Hamburg Grain Exchange was \$102.35 per metric ton, while the average price of soybean meal of \$86.94 -- \$15.41 lower. Even under the adopted unified grain prices which become effective July 1, 1967 feed barley will be priced at \$91.25 per metric ton. The average c.i.f. price at European ports for soybean meal during the period 1958-64 was \$92.28 1/. Here you can see that feed grains will continue to be expensive relative to soybeans, especially where these are compared with U.S. prices of soybeans to barley or corn.

The same type of expansion has been occurring in other countries; notably Japan and the United Kingdom.

1/ Dahl, R. P, "Demand for U.S. Soybeans in the European Common Market: A Case for Optimism," Journal of Farm Economics, November 1965, pp. 979-992

The Food for Freedom program will also increase the demand for soybeans. Wheat, rice, and non-fat dry milk will also experience increased demand.

There is a strong likelihood that the commercial market for non-fat dry milk will expand. Recently, the Netherlands expanded its imports significantly to feed out veal calves.

In summary, the prospects are quite promising for feed grains, soybeans, non-fat dry milk and wheat. It is also likely that the market will expand significantly for vegetable preparations.

IMPLICATIONS FOR OHIO

Ohio is a major producer of many agricultural products. In terms of the agricultural commodities with the greatest export potential Ohio ranked seventh in the production of corn for grain, seventh in soybeans, eleventh in the production of all wheat and eighth in the production of milk. What happens in the export market will affect Ohio's agriculture. We might look briefly at each of the commodities enumerated.

Soybean acreage and production in Ohio have increased significantly over the last twenty years. Projections indicate further increases in production and greater concentration of production in the Northwestern portion of the state. As soybean exports continue to increase, reaching 260 million bushels in 1970 and 310 million in 1980, prices in the domestic market will continue to be strengthened so that prices to Ohio producers will remain relatively stable or increase somewhat. This means that Ohio producers will benefit directly through Ohio exports or indirectly through higher or stable domestic prices.

Acreage and production of corn in Ohio have been influenced by domestic governmental programs. During the past three years acreages have increased and planting intentions for 1966 indicate an increase of about 65 thousand acres over actual plantings last year. Accompanying these changes in production has been an increasing proportion sold as cash grain. Dr. John Sharp of our staff estimates that by 1980 seventy per cent of all corn produced in Ohio will be marketed as cash grain. This means that the export market will become increasingly important to Ohio corn producers.

Wheat production in Ohio will not increase significantly unless there is a change in domestic programs which will differentiate between the various classes of wheat. Wheat producers must look to the domestic market. I say this because the countries that now import wheat are, in the main, self-sufficient or close to self-sufficiency in the production of the kind of wheat produced in Ohio. There are some possibilities for exports under the Food for Freedom Program.

I don't think that Ohio will participate significantly in the export of dairy products. The growing demand will be for non-fat dry milk in the low-income countries. However, Ohio will benefit from these programs. This can be attributed to the sales pattern in Ohio which forces about one-fourth of the total fluid milk production into manufactured uses. Exports of milk powder will strengthen the domestic market for manufactured milk which in turn will strengthen the market for fluid milk sales. This is the inverse of practices followed in general in most markets.

In addition to the above, Ohio has a locational advantage. We have a port on the St. Lawrence Seaway System--a direct route to the East where our principal dollar markets are. This places Ohio in a unique position to move products from the "bread basket" of the world to expanding markets for U.S. products. For Ohio to fully capitalize on it's location advantage, new technology in ship designs will be necessary so that more ocean-going vessels will be able to navigate the system.

In looking to the future, I have only pointed out the more obvious prospects. There are many others. For example, recent technological developments in the tomato industry could open new vistas for exploitation. The production and sales of some specialty products could also be developed.

If we are imaginative and diligent, the export market promises much for Ohio--both for agriculture and allied processing industries.

HERBERT
HARRIS

Herbert E. Harris II
Assistant Legislative Director
American Farm Bureau Federation

Herb Harris is a native of Missouri. He completed undergraduate studies at Rockhurst College, Kansas City, Missouri; Valley College, Marshall, Missouri; University of Notre Dame, South Bend, Indiana.

Mr. Harris enlisted in the U.S. Navy in 1944, served in the Pacific until 1947, and held the rank of Lieutenant, junior grade, in the Naval Reserve.

After receiving a Bachelor of Arts degree, Mr. Harris began his law studies at the Georgetown University Law School, where he was awarded a Bachelor of Laws degree in 1951. During this period, he was also associated with a Kansas City law firm. In 1951 he became a Washington representative of the Western States Meat Packers Association, after which he spent approximately four years in private practice representing manufacturing firms engaged in import-export trade.

Mr. Harris joined the staff of the American Farm Bureau Federation in 1955 and became assistant director of international affairs, where his experience in handling foreign trade matters was utilized. In October, 1958, he was appointed assistant legislative director. In addition to the field of international affairs and foreign trade, Mr. Harris's responsibilities have been expanded to include taxation and legislative drafting. He is the author of many articles which have appeared in numerous periodicals.

Mr. Harris is a member of the Missouri State Bar, the District of Columbia Bar, and numerous civic and fraternal organizations.

EXPANDING AGRICULTURAL MARKETS - EXPANDING OPPORTUNITIES

Presented at the 8th Annual Agricultural Marketing Conference
by

Herbert E. Harris, II, Legislative Counsel
American Farm Bureau Federation

March 29, 1966

The American farmer is the most efficient agricultural producer in the world. We can, therefore, play an even larger role in expanding total U.S. export earnings, and thereby help to solve the U.S. balance of payments deficit: (1) If domestic agricultural programs are made consistent with our position as world traders and (2) If effective trade negotiations are undertaken to remove the present restrictions on our agricultural exports which are neither consistent with existing trade agreements nor justified by present conditions.

U.S. farm exports in fiscal year 1964-1965 amounted to \$6,096,000,000. This was about the same level as the preceding year, 1963-1964, when exports amounted to \$6,076,000,000. Total export value was the highest on record.

- There were increased exports of feed grains, soybeans, cottonseed and soybean oils, oil cake and meal, tallow and dairy products.
- There were decreased exports of wheat and flour, cotton, and tobacco. Decreases largely offset the increases.
- Exports for dollars were \$4.4 billion, off \$100 million from the previous year.
- Aid shipments under P.L. 480 were up \$100 million to an estimated \$1.7 billion.
- World demand in recent years has increased significantly for U.S. agricultural products, especially feed grains, soybean products, and animal products. Demand for meat and other animal products has risen sharply in Western Europe and Japan because of rapid increases in income.
- Price was the primary cause for the decline in tobacco and cotton exports. Domestic programs tended to stifle opportunity for increased cotton and wheat exports.
- Major dollar markets continue to be Japan, the United Kingdom, Canada, and the six countries making up the European Economic Community - West Germany, France, Italy, Belgium, the Netherlands, and Luxembourg. In 1964 these nine countries accounted for 80 percent of the farm products exported for dollars.

Feed grain exports have passed the 20 million ton mark, and last year 209 million bushels of soybeans - an important Ohio crop - moved to foreign customers. Over 2 billion lbs. of soybean and cottonseed oil were exported, and this does not include the 2 1/3 million tons of oil cake and meal which went to foreign shores. Wheat exports amounted to 724 million bushels, and rice shipments exceeded 28 million bags.

All farmers have an interest in maintaining and expanding farm exports. If world markets are decreased or lost, the land and resources which have been used to produce for those markets will be utilized in the production of commodities for the domestic market, which in many cases is already over-supplied. This would depress prices and reduce farmers' net income.

We have all watched with growing concern the formation and conflicts of the European Economic Community. Agricultural trade policies of the European Common Market in many respects appear to be based on a concept of self-sufficiency and could lead to serious misallocation of resources within the economic community and to the disruption of trade.

For about \$400 million worth of agricultural products exported to the six countries of the Common Market, including wheat, feed grains, rice, livestock products, and dairy products, the United States has obtained no commitment. Under the Common Market policies proposed for these products, variable import fees would be levied to the extent necessary to protect the common agricultural policy decided upon by the E.E.C. Instead of insisting that these products be kept a part of meaningful trade negotiation, the United States has indicated that we would be willing to negotiate international commodity agreements.

International committees have been established to discuss commodity agreements on grains, meat, and dairy products. The whole concept of politically determining fair shares is repugnant to those who believe in the market system. An arrangement which relies on guarantees of quantitative access with so-called formulas will not benefit American agriculture for the following reasons:

1. No government can live politically with a commitment to import unneeded supplies of a commodity for which the country has a government support program.
2. Any negotiated guaranteed quantity is likely to be so small as to be of little or no benefit to the United States.
3. The Common Market countries cannot afford to enter into meaningful agreements that would guarantee imports of specified quantities of designated commodities, for example, from the United States. To do this would undermine the basis for their common agricultural policy since this policy is keyed to the concept of a free flow of trade within the E.E.C. Quantitative guarantees to "outside" countries would force the adoption of indi-

vidual country quotas as between the six countries of the E.E.C.

The Common Market countries cannot be expected to enter into agreements with outside countries that would have such devastating consequences to their plans for trade among the six.

The objective of most commodity agreements is to fix trade patterns by placing limits on exports, on imports - or on both. A commodity agreement that provides export and import quotas would be a trade restrictive device rather than a trade expansion device if member countries lives up to their commitments. By definition, international commodity agreements protect the inefficient producers and penalize the efficient. Consumers are generally required to pay a much higher economic price for their requirements.

When Congress considered and passed the Trade Expansion Act of 1962, it considered the objective of this measure as being trade expansion and specifically foresaw the attempts to "build in" trade restrictions on our principal agricultural exports. Farm Bureau recommended that Congress give specific direction on how the United States was to handle trade negotiations with respect to agricultural products on which the E.E.C. applied variable fees. Congress adopted Section 252 (usually referred to as "the Farm Bureau Amendment") of the Trade Expansion Act of 1962 which states that in regard to countries which maintain "nontariff trade restrictions including variable import fees which substantially burden U.S. commerce in a manner inconsistent with provisions of trade agreements . . ." the President should do two things:

1. "Suspend, withdraw, or prevent the application of benefits of trade agreement concessions to products of such country or instrumentality." The U.S. action on poultry was a proper and timely implementation of this directive.
2. "Refrain from proclaiming benefits of trade agreement concessions to carry out a trade agreement with such country or instrumentality." The forthcoming trade negotiations should not be concluded without the full implementation of this Congressional directive.

International commodity agreements or arrangements would restrict trade, limit opportunity, and reduce income of American farmers. They are a blueprint for defeat - not a strategy for victory at the negotiation table.

Instead of going this route, Farm Bureau has recommended that the U.S. government should press for reasonable maximums on the variable fees and indicate a willingness to offer beneficial concessions in return. In this manner, a trade agreement with the European Economic Community will promote and protect the best long-term interest of American agriculture.

We are living in a hungry world. We are told that 2/3 of the world's people go to bed hungry and that the situation is getting worse - not better. Current projections indicate a doubling of the world population by the year 2000, and perhaps a trebling by the year 2020. This means that the world's population starting in 1960 at 3 billion persons will rise to 6 billion in 2000 and 9 billion in 2020. These figures are arrived at on the basis of a simple projection.

Let us take U.S. exports of grains and soybeans and apply a similar projection. Such exports have increased over the past 10 years at an average rate of 3 million tons per year. If this rate continues, we will have exports of grains and soybeans totaling 60 million tons by 1970 and 210 million tons by the year 2020. Consider the fact that the U.S. total grain and soybean production is currently 210 million tons.

Farm Bureau played a major role in the development of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480).

Our objectives in supporting P.L. 480, now generally called the Food for Peace program, have been to reduce accumulated surpluses, provide needed aid to friendly foreign countries, and expand commercial trade as recipient countries develop their own economies.

We have felt that P.L. 480 should be temporary and that measures should be taken both at home and abroad to reduce the need for a program of this type.

Since 1954 surplus farm products worth some \$25 billion in terms of acquisition, handling, and shipping costs have been distributed to more than 100 nations under P.L. 480. This program obviously has been an important outlet for U.S. products and an important source of supplies for the recipient countries.

On the other hand, the objectives which originally led us to support such legislation have not been fully achieved. Surpluses have persisted in a few commodities--not because P.L. 480 failed to find new outlets, but because new surpluses have been produced under a succession of ill-advised government farm programs.

The domestic programs which generated the surpluses have not solved farmers' income problems.

Operating as a surplus disposal program, P.L. 480 has led to expanded commercial trade in a few cases and may have reduced such trade in other instances. There also are some cases where food aid, coupled with other assistance, has contributed to the permanent improvement of the economies of recipient nations. Nevertheless, the food aid needs of a number of recipient nations are now much greater than when P.L. 480 was initiated.

The time has come to redirect our efforts, both to strengthen the income position of farmers and to assist the people of friendly less developed nations in the solution of their economic problems. We believe that this can best be accomplished by strengthening the market system at home and abroad. Consequently, we call our proposal the "Marketing Food for Freedom" program.

Farm Bureau's Proposal

The general goals of our approach are maximum producer freedom, minimum government involvement, market determination of farm commodity prices, and expanded use of productive resources at home and abroad.

The proposed program is designed to:

- (1) Shift the emphasis in food aid programs from surplus disposal to supplying the commodities determined to be most needed in consultation with the nations to be assisted.
- (2) Provide that commodities to be shipped under food aid agreements be produced in the United States and purchased through regular market channels.

Points 1 and 2 are designed to encourage production of needed commodities rather than surpluses, to emphasize the value of food to the recipients, and to strengthen the competitive market system.

- (3) Establish conditions to be met by nations desiring assistance.

One such condition would be the development of an acceptable plan showing how food acquired through the program will contribute to economic growth and development, with reasonable assurance that this plan will be implemented.

- (4) Provide that, after an agreement is reached on the amount of aid to be provided and the commodities that may be acquired, the recipient nation - operating through private trade channels - shall select the class, grade, and quality of product to be purchased; determine the markets through which purchases are to be made; and make its own transportation arrangements.
- (5) Provide that information on the quantities of products authorized for shipment under the program be announced as far as possible in advance of the procurement dates to allow farmers to make needed adjustments in production and marketing plans.

- (6) Reduce the cost of government programs by providing markets instead of subsidy payments and other price support activities. (It is not our purpose to "add another program" to those already authorized.)

This would be accomplished by shifting funds from existing price support, direct payment, and surplus disposal activities to the Marketing Food for Freedom program.

- (7) Authorize recourse loans on affected food and feed commodities.

The market for these commodities would be strengthened by purchases for export under the new program. Price support loans and payments would be phased out. Funds now being spent on these activities would be transferred to the new program. Recourse loans could be used for affected commodities to assure a ready source of credit and facilitate orderly marketing.

- (8) Provide for coordination with other economic aid programs.

For example, technical assistance might be provided to help a country carry out the plans for economic development referred to in point 3 above.

- (9) Provide that the United States not relinquish authority or decision-making responsibility to an international agency.

- (10) Vest in the Congress the authority and responsibility for appropriating the funds necessary to achieve the program level determined by it to be appropriate.

Such funds should be appropriated directly to the government agency designated to have the administrative responsibility.

We are pleased to note that many of the points listed above are very similar to key points in President Johnson's message on "Food for Freedom." It would appear that we are in general agreement with the stated objectives of those portions of the President's recommendations which propose to:

- Make self-help an integral part of our food aid program.
- Eliminate the "surplus" requirement for food aid.
- Emphasize the development of markets for American farm products.
- Authorize an expansion in food aid shipments.

- Emphasize the building of cash markets and a shift toward financing food aid through long-term dollar credits--rather than sales for foreign currencies.
- Provide for better coordination of food aid with other economic assistance.

It is important that these objectives be achieved.

If food aid, economic assistance, and technical assistance are to be coordinated, it seems apparent that they must be administered by the same government agency. U.S. assistance should be offered to less-developed countries as a unified program containing those elements that will best fit each country's developmental needs.

In this manner, a less-developed country--which has designed its own self-help program for development--can confer with the United States on a "package program" of assistance. We believe that country-by-country programs--mutually agreed to by the recipient country and the United States--should be submitted to Congress so that foreign aid money can be appropriated in an intelligent and constructive manner.

We recommend that (1) Congress appropriate funds for food aid in the same manner that it appropriates funds for other foreign assistance, and (2) the commodities to be shipped under food-aid agreements be purchased through regular market channels.

There would be no need to use the Commodity Credit Corporation to finance such a program; there would be no reason to charge the Department of Agriculture for the cost of such a program. This would be a food-aid program based on what the people of recipient countries need and could use effectively. It would not be surplus disposal. It would be designed to meet humanitarian and foreign policy objectives.

The Need to Strengthen the Market System

While an increase in food aid to friendly, less-developed countries is justifiable under present conditions, this cannot be considered anything more than a short-range solution to the problems of hungry nations. Even with its tremendous agricultural productive capacity the United States cannot feed the world. Furthermore, we do not think that it is in our interest or the interest of the recipients to create a situation under which any country becomes increasingly dependent on U.S. charity for its food supply. Such a development could become very burdensome for the United States taxpayers and we doubt that it would contribute to the attainment of a more peaceful world.

The long-range answer to the hunger problem requires that the needy countries find ways of improving their own output. Changes in our domestic farm programs are also needed. A start must be made toward reducing farmers' dependence on government payments by transferring a substantial portion of funds now used for payments under the wheat and feed grains programs to the Marketing Food for Freedom Program. An end must also be put to the dumping of government-owned stocks for the purpose of depressing market prices. We should not attempt to supply world food needs simply by superimposing a food aid program on current domestic price support and adjustment programs. We should substitute the production of food for marketing needs in lieu of acreage controls and market-depressing, direct payment progress currently in effect for many commodities.

DAVID
HUME

David L. Hume
Assistant Administrator
Foreign Agricultural Service

David L. Hume is Assistant Administrator of the Foreign Agricultural Service for export programs.

Mr. Hume is a native of Brookings, South Dakota. He has primary responsibility for programs designed to develop foreign outlets for U.S. farm products. These programs fall into two major areas of activity within FAS. One of these is in the developing and expanding commercial markets abroad for U.S. agricultural commodities, carried out primarily in cooperation with private trade groups. This responsibility also includes the presentation of agricultural exhibits at international trade fairs. He also administers Title I of Public Law 480, providing for export sales of agricultural commodities for foreign currencies, and in coordinating this program with the other special export programs of the Department.

Mr. Hume previously was Director of FAS' dairy and poultry division. Before assuming that post, he was Deputy Director of the poultry division of USDA's Agricultural Marketing Service from 1955 to 1958.

From January 1946 through December 1951 Mr. Hume served as purchasing officer and Chief of the dairy products and poultry headquarters, Quartermaster Market Center System, Chicago, Illinois. In this assignment he was responsible for procurement and shipment of dairy and poultry products for the U.S. armed forces in this country and abroad.

In 1952 he entered private industry, serving as vice president of a Chicago poultry and poultry products firm, and as a member of the Chicago Mercantile Exchange. Mr. Hume holds a B.S. degree from South Dakota State College, and an M.S. degree from North Dakota Agricultural College.

PROGRAMS FOR AGRICULTURAL EXPORTS

Summary of Remarks by David L. Hume,
Assistant Administrator for Export Programs,
Foreign Agricultural Service, U.S. Department
of Agriculture, at the Eighth Annual
Agricultural Marketing Conference,
The Ohio State University, Columbus, Ohio
March 29, 1966

The States of the United States today constitute one of the world's oldest and most successful "common markets." This is one of the basic facts that enables Ohio -- and indeed all of the other States -- to enjoy a degree of prosperity unknown in most parts of the world.

Following the American Revolution, the Thirteen States were loosely joined under the Articles of Confederation. During these early days trade barriers were erected by states against each other in a manner similar to barriers erected by nations against each other. These trade barriers were limitations depriving the population of one state of the efficiencies and productive capacity that could be conferred upon it by the peoples of other states. Commerce was being disrupted in a manner that threatened economic development among all the states.

Indeed, one of the important tasks of the Constitutional Convention was to consider ways and means of eliminating these trade barriers and to provide remedies for the limitations which invariable accompany man-made barriers to trade. It was in this Constitutional Convention that one of the real meanings of freedom was expressed -- the freedom of trade; that is, to buy, to sell, and to transport goods without the disruptive influence of manmade restrictions and barriers such as tariffs, embargoes, quotas, levies, and taxes.

There emerged from this Convention in 1788 the Constitution of the United States, which granted to the Federal Government the power "to regulate Commerce with foreign nations, and among the several States..." In the Constitution, the States agreed to limit their own powers by accepting a provision: "No State shall, without the consent of the Congress, lay any Imposts or Duties on Imports or Exports, except whay may be absolutely necessary for executing its inspection laws..."

So our Constitution contained a guarantee of freedom to trade even before it was bulwarked with the guarantees of freedom of speech, freedom of the press, freedom of public assembly, freedom of worship, and the other priceless freedoms embodied in the Bill of Rights.

So today Ohio farmers enjoy freedom to ship their products to any part of the United States where they can find a buyer.

Increasingly, too, they are finding foreign buyers for their products for, while international trade is by no means as free as it is between our states, the volume of agricultural trade among the nations of the world is at an alltime high and is increasing rapidly.

Today, farm products account for about one-fourth of all the exports of this Nation. In recent years agricultural exports have reached a new plateau, having been valued at \$6.1 billion during each of the past two fiscal years as compared to \$4 billion in 1958. During the past five months of the current fiscal year our statistics show that we are again running at record levels. The current rate indicates an increase for this year may run to a \$200-million to \$300-million increase over last year's record level.

What does \$6 billion worth of agricultural products really mean?

For one thing it means the output of about 80 million acres of cropland. This is about one out of every four acres harvested in the whole country. It is the equivalent of all the cropland harvested in Ohio, Indiana, Illinois, Wisconsin, and Minnesota.

In terms of transportation, \$6 billion worth of agricultural products is equal to about 15 shiploads of farm products leaving U.S. ports every day of the year. The cargo of these ships would fill more than one million freight cars, and would make three solid trains stretching coast to coast across the United States.

Farm exports also mean nearly a million jobs on farms alone, plus many thousands in processing, transportation, and other supporting industries.

If we look at the export figures for Ohio alone, here is the story.

Ohio accounts for over \$200 million of a year's agricultural exports at current levels. She exports over \$60 million worth of wheat; almost \$30 million worth of animal products, including \$11 million in dairy products; over \$30 million worth of soybeans and feed grains each are exported. In addition, soybean products, equaling more than \$13 million in oil and meal, are exported. In total, Ohio farmers rely on exports for more than 15 cents out of every dollar they get for farm marketings.

So when I talk about the importance of agricultural exports and some of the programs to help move our U.S. farm products into the markets of faraway lands, I am talking about a subject that has particular meaning for people of Ohio. And when you yourselves take steps that increase the Nation's farm shipments abroad, you are helping yourselves in a very direct way.

We read and hear a great deal about the food that the people of the United States are sending around the world to our less fortunate brother human beings. These products, moving under the Food for Peace program, are, of course, extremely important. In instance after instance U.S. food and fiber have performed vitally -- in some cases to meet the minimum nutritional needs of people subsisting on inadequate diets, and in other instances U.S. food has actually been decisive in forestalling starvation and saving human lives. We will have more to say about this part of the U.S. program a little bit later. What may surprise some of you, however, is that the Food for Peace programs account for only about a fourth of our farm exports.

The remaining 75 percent are sold and move on straight commercial terms. That is, they come out of the free market from goods in the hands of private sellers who, in the traditional manner of free enterprise search out and find their own overseas customers, provide their own financing and credit arrangements, do their own billing, and take their own risks. The value of this commercial business is presently running at the rate of \$4.5 billion annually, and it is growing at a faster rate than that for the goods moving under government programs.

The U.S. Department of Agriculture services agricultural exports in a number of ways. Let me at this point get back to that part of our exports moving under Food for Peace Programs. These exports equal about \$1.6 billion per year in value of somewhat over 25 percent of the total. They move largely under authorities provided by Public Law 480, more formally known as the Agricultural Trade Development and Assistance Act of 1954. Since its inception, about \$14 billion worth of agricultural products has moved overseas under Public Law 480 -- by far the greatest proportion under Title I of the Act. Title I enables the U.S. exporter to sell a U.S. surplus commodity to a foreign customer and be paid in U.S. dollars even though the foreign customer is paying in his own currency -- often one that is not readily convertible into dollars. The U.S. government, in effect, finances the sale in that it receives foreign currency in its account and pays out equivalent dollars to the U.S. exporter. Since 1954 about 50 countries with a total population of over 1.5 billion have received about \$9 billion worth (export value) of food and fiber through foreign currency sales under Title I. The largest recipients have been India, Pakistan, Yugoslavia, Spain, Poland, Turkey, Brazil, Korea, and Indonesia.

More recently a number of African countries have become customers under Title I, and we expect the numbers of these to grow. Title I is unique in the history of U.S. international trade and probably unique in the international trade history of the world. Let me explain: the foreign currency which is generated in recipient countries from funds under Title I becomes the property of the United States. Hence, Uncle Sam has bank accounts in many countries of the world consisting of such currencies as: Indian rupees, Brazilian cruzeiros, Egyptian pounds, Philippines pesos, Yugoslav dinars, and Turkish lire.

During the history of Title I there have been programs in 50 countries throughout the world and hence the United States has received local currencies in this same number of countries. Keep in mind that when we are speaking of Public Law 480, we are speaking about agricultural products -- the products that are produced and sold off your farms and millions of other farms in the United States. And so these foreign currencies, owned by the United States, are in reality a resource generated by the products produced from U.S. farms.

It is interesting to me -- and I assume for some of you -- to visualize these currencies as representing the agricultural community of the United States in the faraway lands of this world. It is even more interesting when you think about the uses to which some of these currencies are put. Some of them are loaned back to the foreign governments to which the commodities were originally sold. However, when the principal and interest are repaid, this then becomes the property of the United States also. And so some of the currencies are loaned for purposes of promoting economic development and trade among nations.

An important percentage of these foreign currencies is used to pay U.S. obligations overseas, such as expenses for operating an embassy. These currencies have been used for scientific research for the benefit of U.S. agriculture. In fact the Agricultural Research Service of the U.S. Department of Agriculture has made research grants in 20 countries which are supported by Public Law 480 foreign currencies.

Public Law 480 requires also that five percent of the currencies be set aside for market development. It provides further that 2 percent must be made available for conversion to other currencies for this use. Hence, it is possible, through the conversion process, to use Indian rupees for buying German marks to promote feed grains, for example, in Western Europe or in Japan.

Title II provides the authority for another program under Public Law 480. Over 70 countries have received agricultural commodities under Title II. Approximately \$1.2 billion worth has been made available under this Title. A great deal of the food moving under Title II has been on a government-to-government basis for the victims of disaster, such as earthquakes, drought, floods, and even locust plagues. Substantial quantities are also used in child feeding, refugee feeding, and in work project programs.

A further example under Title II -- in Chile, food has been used in self-help rural development programs, employing a thousand people in the reforestation of approximately 1,200 acres, for the construction of dams and reseeding flooded areas, for the construction of farm-to-market roads, and for the construction of schools. Similar projects under Title II have been operated and are being operated in many countries throughout the world.

It is under Title III of Public Law 480 that donations of food are made to U.S. voluntary relief agencies, such as CARE, Catholic Relief Services, Church World Relief, UNICEF, Lutheran World Relief, Hadassah, and others. Under this authority, foods valued at \$1.7 billion have been exported to many millions of needy people in over 120 countries and territories.

The donated food under Title III goes overseas and finds its way to schools, to needy families, refugees, health centers, maternal and child care activities, and several other outlets. The worldwide network for operations to which Title III is basic involves 825 U.S. citizens employed by the voluntary agencies in overseas posts, who work with approximately 6,700 non-U.S.-citizen staff members, plus countless volunteers. It is your farm products moving under Public Law 480 that make this activity possible.

Perhaps some of you have heard of Operation "Ninos," an extensive child-feeding program operated by the Aid agency in Latin America. The food which is used in this humanitarian program is made available under both the Title II and Title III programs.

It is also under Title III that the barter program is authorized. Barter transactions are commercial operations. Surplus farm commodities, valued at approximately \$1-3/4 billion, have been exchanged under the barter program for minerals and other durable materials produced abroad. More recently the barter mechanism has been used to procure military and other supplies for the U.S. Armed forces and government agencies in a manner which has limited the outflow of U.S. dollars from this country.

Title IV of Public Law 480 is a relatively new phase of the Act. It moves a big step closer to commercial terms as compared to the other parts of the program. It provides for the sale of surplus agricultural commodities for dollars but under special long-term credit arrangements with repayment under certain circumstances extending for as long as 20 years. Interest is charged at reasonable rates, taking into account the situation of the country involved, but with minimums in line with those prescribed for the foreign aid programs.

Title IV programs, while concessional in nature because of their terms, nonetheless require payment in dollars. More recently the law was also amended to provide for sales by the U.S. government to private trade entities primarily for market development purposes. Sales under Title IV of Public Law 480 have totaled nearly \$600 million.

Several other programs have also been important in expanding exports of U.S. agricultural commodities. The Sales Manager of the Foreign Agricultural Service operates what is known as the "CCC Export Credit Sales

Program." This program has been invaluable in providing commercial-type credit for buyers from the more sophisticated hard currency markets who procure, U.S. agricultural commodities now in CCC stocks, or in certain commodities, from commercial stocks. The credit is secured on the basis of U.S. bank guarantees. This program has been used by Japan, for example, in the buying of large quantities of U.S. cotton and feed grains. It has assisted some of the less developed countries by providing reasonable commercial terms for commodities that they needed to buy as a prerequisite for buying the same goods under Title I.

Mexico used the CCC Credit Program to buy grain during a period of drought. Interest rates are relatively low--4-1/2 percent up to 12 months; 5 percent over 12 months. Regular credits are 12 months on cotton, tobacco, and sorghum, and 6 months on all other commodities except under special conditions. The maximum is three years.

Congress expects the Secretary of Agriculture to offer CCC stocks into the foreign market on a competitive basis. The department operates several programs to bring this about. There have been payment-in-kind programs -- such as for wheat, rice, and nonfat dry milk -- where the equivalent of the difference between the export price and the domestic price has been made up by providing the shipper with a certain quantity of a U.S. agricultural product from CCC stocks.

Let me summarize these programs by the terms they offer:

- (1) Under Title II and Title III donations the food is given away with no repayment to the government. You will recall the programs referred to had to do with CARE, Church World Services, and the other voluntary agencies and the use of food to pay wages in farm-to-market roadbuilding and other work projects.
- (2) Sales for foreign currency. This, the largest program, is carried out under Title I of the Act. These foreign currency sales bring some return to the U.S. government but no full repayment.
- (3) Long-term dollar credit. These are the Title IV programs under which we sell agricultural products to a foreign country for dollars and give them long-term credit -- a maximum of 20 years, but more frequently in the area of 8 to 10 year's credit.
- (4) The barter program. This is a commercial transaction where full export values are arrived at and the trade made on this basis. Its principal value is that it brings incentives for effecting trade without the use of money per se.

- (5) The other programs -- CCC credit, payment-in-kind, and the others -- are aimed at making our commodities competitive in world markets and not specifically at offering special terms to importing nations.

In the concluding section of these remarks, I would like to emphasize our cooperator market development program. This is carried out through cooperation by the Department of Agriculture with approximately 45 U.S. trade organizations. Examples of such organizations are the American Soybean Association, the U.S. Feed Grains Council, Great Plains Wheat, Inc., the American Meat Institute, the Holstein-Friesian Association of America, the National Renderers Association, the poultry industry's International Trade Development Board, which includes the Institute of American Poultry Industries and the National Turkey Federation. It is with these associations and many others that our foreign market development program is carried out.

We have actual contracts with these trade groups. They agree to contribute money, personnel, and program management, and to perform or arrange for the performance of the actual promotion work. FAS also provides money in the form of Public Law 480 foreign currency, which you will recall I mentioned previously. FAS cooperates in the management and operation of the program. FAS and the trade cooperators work together, through agricultural attaches and through cooperator overseas offices, on a full line of promotion activities, including advertising, public relations, fairs, exhibitions, seminars, and other educational programs, contests, in-store promotions, trade contacts, and others.

(Slide presentation here -- if time permits)

This program has been selling your agricultural products to a total of about 70 countries. The 45 U.S. trade cooperators work, in turn, with over 200 "foreign cooperators" (third parties) and in this manner 700 non-government people are "selling" for us. The Department of Agriculture expenditure for the program totals about \$10 million to \$12 million per year, and the U.S. cooperators along with their "third party" arrangement contribute the equivalent of about \$8 million. This cooperator market development program is addressed to the proposition of expanding commercial exports -- the segment that accounts for about \$4-1/2 billion a year of three-fourths of our export total. We believe that the cooperator program has played a major part in helping to increase these sales.

Now a word about our trade fair program. Through the years the U.S. Department of Agriculture, working with cooperators, with the Department of Commerce, and with others, has exhibited U.S. agricultural products in 170 international fairs in 35 countries. It is estimated that over 50 million people have been exposed to our fine agricultural products through these fairs.

We maintain permanent activities in three U.S. Trade Centers overseas -- Tokyo, London, and Milan. Each Trade Center is continuously promoting U.S. agricultural commodities, not only in the Center itself but throughout the country in which it is located. The Trade Center in London, for example, will be mounting two major exhibits during the first six months of this year.

In the London Hotel and Catering Show, we recently hosted 27 American firms which exhibited their food products in a trade-only area.

In late February the London Trade Center put on a Specialty Food Exhibition and interest was so great that we were swamped with applications from firms wanting to participate. We were able to accommodate some 90 American firms, and many new U.S. agricultural items were introduced. The evidence is that they attracted a number of new British buyers.

In Tokyo we recently completed a Feed Grain Show at our Trade Center. Participating were 18 U.S. firms, which was all we had room for. They paid their own expenses and transportation, furnished their own samples, and manned their own exhibits. Last year the United States sold Japan, among other things, over one million metric tons of grain sorghum and nearly 2-1/2 million tons of corn. Japan is on a livestock production drive, with emphasis on broilers and hogs. And here is a spectacular feed grain market, which we attempted to promote even further with this show.

We need to keep building these export markets. We need them for altruistic reasons, that of conferring the efficiency of our agricultural production on to the more inefficient and less productive peoples of the world.

More than that, we need new markets to keep agriculture abreast in the ever-expanding and dynamic economy of America itself. Many of us believe that the export market is the principal frontier left for expanding consumption of U.S. food and fiber products. I would, therefore, ask you, as individuals, to become interested in exports. In some instances you may have an opportunity to support export activities as through your attendance at meetings like this.

In conclusion, let me urge you to raise your sights to markets across the seas. Ohio -- with access to the Atlantic Ocean through its fine Great Lakes ports, with excellent rail and truck transportation (and yes air freight) -- indeed is "close" to export markets. Keep informed of developments in this field. Search for new openings in the export market. Help our vital work in developing, maintaining, and expanding foreign markets for our agricultural products. Indeed, our future health and growth in agriculture seem to be importantly tied to developing and expanding our markets abroad.

Richard W. Reuter, Assistant Secretary of State, Food For Peace was unable to honor his commitment to speak at this conference. It became necessary that Mr. Reuter devote his time to the visit of the Indian Prime Minister, Mrs. Indira Gandhi.

Mr. Reuter arranged for his assistant Mr. Allan Berg to speak at this conference.

Alan D. Berg
Deputy Director
Food For Peace

Alan D. Berg is Deputy Director, Food For Peace. As part of his responsibility, he serves as Co-Chairman of an Interagency Task Force on Malnutrition and as Chairman of a new Interagency Food For Peace Research Program.

Prior to joining Food For Peace in December 1962, Mr. Berg was Assistant Executive Secretary of the Agency for International Development, where he served as Chief of Policy Information. While with AID, he also directed the Division of Publications and chaired a Task Force on Communications.

Previously, Mr. Berg served as Director of Information, and Acting Director of the Technical Assistance for the Labor Department's Bureau of Labor Management Reports.

Mr. Berg is a graduate of Ohio State University. In 1953 he entered the Air Force, first to serve in Washington as Public Information Officer of Headquarters Command, and later as Special Assistant to the Director of the Military Assistance Program in the Department of Defense.

Mr. Berg was employed in Dayton, Ohio and New York by the E. F. McDonald Company - both before and after military service.

WALLACE
BARR

Wallace Barr
Professor Agricultural Economics
Department of Agricultural
Economics & Rural Sociology
The Ohio State University

Dr. Wallace Barr is Professor of Public Affairs and Outlook and Extension Economist, Department of Agricultural Economics and Rural Sociology, The Ohio State University.

A native of Ohio, Dr. Barr received his B.Sc. and Ph.D. degrees at The Ohio State University.

Prior to joining the staff of the Department of Agricultural Economics and Rural Sociology at The Ohio State University, Dr. Barr taught Vocational Agriculture at Wapakoneta.

Dr. Barr is associated with the Cooperative Extension Service and Research and Development Center at The Ohio State University. His responsibilities are concentrated in the area of Agricultural Policy and Economic Outlook.

Dr. Barr has traveled extensively in the United States and served as a member of a team of Extension Economists that studied in the Far East. He has served as visiting professor at the University of Arizona for five years teaching Agricultural Policy at the Western Regional Extension Workers Winter School.

Dr. Barr has authored numerous bulletins and articles on agricultural policy that have had national circulation.

WORLD FACTS AND FIGURES*

Most of the World is Poor

- a. The U. S. has 40 per cent of the world's income.
- b. The U. S. and Europe together have two-third's of the world's income.
- c. BUT the U. S. and Europe together have only 21 per cent of the world's population. THEREFORE, the remaining 80 per cent of the world's population must share one-third of the world's income.

Annual Per Capita INCOME

| | |
|---------------------------|---------|
| United States | \$2,300 |
| Western Europe | 1,000 |
| Latin America | 190 |
| Middle East | 158 |
| South East Asia | 125 |
| Africa | 85 |
| South Asia | 74 |

Most of the World is Ill Fed and Ill

- a. A minimum health standard requires a daily consumption of 2,650 calories per person.
- b. The U. S. calorie consumption is 3,100 per person.
- c. The calorie consumption of Africa, Asia, and Latin America averages about 2,200, OR 17 per cent below the minimum health level.
- d. Average life expectancy of people in Africa, Asia and Latin America averages 36 years.

Distribution of Population and Food Supplies

| | <u>% of Population</u> | <u>% of Food Supply</u> |
|---------------|------------------------|-------------------------|
| Far East | 52.4 | 27.3 |
| Near East | 4.2 | 4.2 |
| Africa | 7.3 | 4.3 |
| Latin America | 6.8 | 6.2 |
| Europe | 21.9 | 34.5 |
| North America | 6.7 | 22.0 |
| Oceania | 0.5 | 1.3 |

Most of the World is Illiterate

- a. Literacy in the U. S. is 98 per cent and 95 per cent in developed countries.
- b. Literacy in Africa, Asia, and Latin America averages 35 per cent.
- c. Less than 50 per cent of the world's children ever attend school.

*Assembled by Wallace Barr, Extension Economist, The Ohio State University.

Most of the World is Not Aligned With the United States

| <u>Bloc</u> | <u>% World's Population</u> | <u>% Land Area</u> |
|--------------------------|---------------------------------|------------------------|
| West (Inc. U. S.) | 21 | 27 |
| Communist Countries | 35 | 26 |
| Underdeveloped Countries | 44 | 47 |
| United States | 6 | 7 |

Most of the World's Population Lives on Farms

| <u>Area</u> | <u>Per Cent</u> | <u>Area</u> | <u>Per Cent</u> |
|---------------|-----------------|----------------|-----------------|
| Belgian Congo | 85 | Mexico | 58 |
| Thailand | 85 | U.S.S.R. | 52 |
| Bolivia | 72 | Argentina | 25 |
| India | 71 | Western Europe | 22 |
| Pakistan | 65 | United States | 11 |
| Brazil | 58 | | |

JOHN
SHARP

John Sharp
Professor of Agricultural Economics
Department of Agricultural
Economics & Rural Sociology
The Ohio State University

Dr. John Sharp is a native of Ohio and grew up on a farm in Warren County. He was awarded his B.Sc., M.Sc. and Ph.D. degrees by The Ohio State University.

As a member of the staff of the Department of Agricultural Economics and Rural Sociology, Dr. Sharp has specialized in Grain, Feed and Farm Supply marketing in research for the Ohio Agricultural Research and Development Center and The Ohio State University. He has devoted considerable time to the development of facilities and transportation. His interest and research on transportation made him one of the forerunners proposing point to point rates for the grain trade. He is presently active in working with the Grain Trade and Railroads to establish equitable rates.

His market facility development has taken him to all parts of the U.S. and most of the world.

In 1963 he was granted one of the first leaves of absence in The College of Agriculture to work with a private firm. Acting in the capacity as vice president of Weitz Hettelsater Engineers of Kansas City, Missouri, he directed their research activities both in the U.S. and in foreign countries. He directed studies aimed at establishing a complete Grain, Handling, Storage and Marketing system for an entire country with special emphasis on those countries receiving PL 480 Grain.

He returned to his duties of teaching and research in 1965 and is now involved in a study to determine the number, size and location of country elevators in Ohio that would produce the optimum grain handling system for the state.

He has published over twenty-five bulletins, research circulars and study reports.

"ANALYSIS OF OHIO'S FUTURE EXPORT POSITION ON GRAIN?"¹

The grain farmer of Ohio is in a very unique and favorable position with regard to the increasing export potential for his products. He will be effected by this increased demand but not solely dependent upon this export market for an outlet for his products.

It is true that in the past, Ohio has exported small quantities of its soft red wheat and modest amounts of its soybeans but the domestic market has been, by far, Ohio's most important market.

Ohio grain farmers are in a very favorable geographic position which offers proximity to three basic outside markets. One, the export market via our inland lake-sea port of Toledo and the overland sea ports of the east coast--basically Baltimore. Another is the eastern and northeastern part of the U. S. The other is the very rapidly growing southern market. These domestic markets are actively competing with the export market for Ohio produced grains and for the most part have been offering a better alternative for the Ohio grain farmer.

When the St. Lawrence Seaway was opened back in 1959, it caused considerable adjustment in the movement of grain in Ohio and presented a new alternative to the grain farmers falling within its market influence.

In recent years, as a direct result of radical reductions in our rail and truck rate structures, Ohio grain farmers have fallen heir to the domestic markets of the East and the South. Further proposed reductions of grain rates, on a "point to point" basis, will significantly increase the Ohio grain farmer's comparative advantage in these markets.

Although the southern part of the state has access to the New Orleans export market via the Ohio River, it is doubtful that this market will consistently offer many grain farmers of Ohio the best market advantage.

It is most important, however, to evaluate the overall effect of the increasing pressure of these three markets on the alternatives of the potential grain farmers located in this market influence.

There is little doubt that the comparative advantage for specialized grain farmers in Ohio has increased as a result of these new alternatives which are reflected in higher relative grain prices. Already, we have seen more and more farmers in the northern and central areas of Ohio shifting to an entirely specialized grain operation moving out of livestock production. This is particularly true for the corn farmer.

I expect to see this trend continue particularly with corn farmers partially as a result of an increased export demand for corn and our increasingly more favorable position in the eastern and southern

¹ Dr. John W. Sharp, Professor, Agricultural Economics, The Ohio State University

markets as a result of further applications of reduced "point to point" rates on grain and grain products. More and more our corn will be marketed as cash corn and I expect this percentage should reach as high as 70-75% by the next 10 to 15 years.

The export market for corn and soybeans, which is immediately available to Ohio farmers will act as a price stabilizer for the domestic market and Ohio farmers will receive sizeable benefits from this very important influence.

As Dr. Williams indicated, the volume of Ohio products moving into the export market is not large and we will probably not even keep our relative position in the export picture. However, any benefits that might accrue to the Illinois, Iowa or Missouri farmer as a result of increased exports will also accrue to the Ohio farmer since it will be reflected in the domestic prices. Because of the reduced rail rates and our resulting increased comparative advantage in these nearby domestic markets, our grain farms will reap maximum benefits from increased export demands.

RALPH
BAKER

Ralph L. Baker
Professor of Poultry Marketing
Department of Poultry Science
The Ohio State University

Dr. Ralph L. Baker is a native of Ohio. He was awarded his B.Sc. and M.Sc. degrees at The Ohio State University and received his Ph.D. at Iowa State University.

Dr. Baker served four years as Extension Poultry Marketing Specialist at Iowa State University. At Iowa State he taught a General Agricultural Marketing course, the Economic Portion of the Food Technology course and the Poultry Marketing course. Dr. Baker spent five years as researcher in poultry economics at Iowa State.

He was member of the Agricultural Economics staff of Pennsylvania State University for 10 years. While at Pennsylvania State, he conducted research in Poultry Economics and Consumers Preferences, taught Poultry Economics, Research Methods in Agricultural Economics and Principles of Economics as applied to Agriculture.

Dr. Baker joined the staff of the Department of Agricultural Economics at The Ohio State University in September 1961, and since that time has assumed responsibility in the area of Poultry Economics as a member of the teaching staff, Cooperative Extension Service and The Ohio Research and Development Center.

He is the author of numerous publications, articles and bulletins on Agriculture and Poultry Marketing and Economics.

FOREIGN TRADE IN POULTRY INDUSTRY PRODUCTS

Ralph L. Baker
Poultry Industry Economist
Ohio State University

United States exports affecting the poultry industry fall into four major categories of providing:

1. Technical production assistance
2. Raw materials such as breeding stock and feed
3. Industry production and marketing know-how
4. Many forms of poultry and egg products.

It is fairly obvious that the goals in each of the four categories may be either complementary or competitive, depending upon one's point-of-view. Technical assistance undoubtedly has stimulated poultry and egg production in possible export markets. The transfer of our highly efficient industry organizational techniques, feeding and breeding operations have also stimulated foreign production. Markets have undoubtedly been stimulated for both our products and locally produced poultry items through United States programs.

However, in this paper we shall deal largely with exports and product trade factors and take only a fleeting glance at the other categories. It is our assumption that the poultry production and marketing sectors of our economy want an opportunity to compete for export markets under a system which imposes a minimum of man-made economic barriers. We further assume that market development abroad requires the same basic ingredients which result in a good domestic program.

Poultry Products Exports

Total poultry products exports increased rather dramatically from the mid-1950's through 1962. This resulted from increases in

TABLE 1. Value of United States Exports of Poultry Items 1958-1965, Million Dollars

| | Poultry Meat | Eggs | Breeding Stock ^{1/} | Other Live Poultry | Total |
|------|--------------|------|------------------------------|--------------------|-------|
| 1958 | 17.0 | 9.7 | 9.7 | 1.4 | 37.8 |
| 1959 | 35.9 | 11.8 | 11.2 | 1.7 | 60.7 |
| 1960 | 49.7 | 10.8 | 13.3 | 1.7 | 75.4 |
| 1961 | 67.3 | 8.5 | 16.2 | 1.8 | 93.8 |
| 1962 | 75.8 | 6.0 | 13.4 | 1.1 | 96.3 |
| 1963 | 56.9 | 8.4 | 18.8 | 1.4 | 85.6 |
| 1964 | 61.3 | 4.7 | 17.7 | 2.0 | 85.7 |
| 1965 | 58.4 | 4.4 | 18.8 | 2.1 | 83.7 |

Source: F.A.S. U.S.D.A.

^{1/} Includes hatching eggs and baby chicks

poultry meat exports - mostly chicken broilers - and hatching eggs and baby chicks. The European Economic Community and West Germany, in particular, was our best customer. Then the chicken war began. From 1961 to 1963, poultry meat exports to the E.E.C. declined 34 percent. Our shipments of shell eggs and egg products declined 1 percent and 28 percent, respectively.

Poultry meat exports to the E.E.C. were higher in both 1964 and 1965 than in 1963. Exports of broilers and fryers in 1965 were the lowest in 7 years - both to the E.E.C. countries and in total. But turkey meat exports were at record levels. In fact, every year in the last seven, except 1963, has set a new

TABLE 2. Exports of Turkeys ^{1/}to Selected Areas, 1958-1965, Million Pounds

| | West Germany | Rest of E.E.C. | Other Countries Countries | Totals |
|------|--------------------|--------------------|------------------------------|--------|
| 1958 | 2.0 | 0.2 | 3.1 | 5.2 |
| 1959 | 6.5 | 0.5 | 5.1 | 12.0 |
| 1960 | 15.9 | 2.1 | 7.1 | 24.1 |
| 1961 | 18.0 | 1.6 | 8.3 | 27.9 |
| 1962 | 25.1 | 3.8 | 8.0 | 36.9 |
| 1963 | 19.3 | 4.9 | 6.7 | 30.9 |
| 1964 | 23.1 | 7.5 | 12.6 | 43.2 |
| 1965 | 34.6 ^{2/} | 11.6 ^{2/} | 7.6 ^{2/} | 58.5 |

Source: Poultry and Egg Situation, USDA and FAS, USDA

^{1/} Fresh and frozen (mostly frozen) whole body birds and parts.

^{2/} January - November.

record for turkey exports.

Ohio's production of 3.5 million turkeys put her in ninth place among turkey producing states in 1965. The 1965 United States export of turkeys equalled about 1.2 times the Ohio production.

In recent years, egg solids exports have generally been well ahead of shell egg exports but in 1965 about \$2.3 million of shell eggs were exported compared to \$1.8 million of egg solids.

Exports of baby chicks increased from 19.1 million in 1962 to 29.7 million in 1965. In 1962, 6.8 million dozen hatchery eggs were exported. By 1965 this number was 7.5 million dozen. A high proportion of the baby chicks and hatching eggs go to Canada and Latin American countries. Japan is also an important customer as well as several European countries.

Poultry Products Imports

Imports of poultry products into United States are small.

TABLE 3. Value of United States Imports of Poultry Items, 1961-62 and 1964-65, Million Dollars

| | <u>1961-62</u> | <u>1964-65</u> |
|-----------------------|----------------|----------------|
| Live Poultry | --- | 0.1 |
| Baby Chicks | 0.3 | 0.7 |
| Eggs and Egg Products | 0.7 | 0.8 |
| Turkeys | --- | --- |
| Other Poultry Meat | <u>0.6</u> | <u>0.5</u> |
| Totals | <u>1.7</u> | <u>2.1</u> |

Source: FAS, USDA

Import data do not indicate whether eggs are for consumption or for hatching. In any event, imports of poultry are equal to about $2\frac{1}{2}$ percent of the value of exports.

Future Opportunities and Limitations

Ohio currently exports some of the most poultry products which move in foreign trade. Its heavy turkey and egg production areas are located close to port facilities. These areas are also surplus feed grain producers. Whether the raw materials or the finished products are shipped will depend largely upon policies of governments and the relative ingenuity and sales abilities of the two groups.

In recent years almost all poultry and egg industry exports have been unsubsidized. An exception is the "Chicken Export Payment Program -- GMX73a" announced by USDA on October 1, 1965. Presumably Ohio processors will take advantage of the stewing chicken possibilities. Ohio's low production of young chickens does not permit the state to be a strong competitor for foreign markets.

The poultry industry has had an active trade development program sponsored by the United States Department of Agriculture and the International Trade Development Committee spearheaded by the Institute of American Poultry Industries and the National Turkey Federation. Emphasis has been placed on how to use poultry meat, its quality and nutritive value. This will undoubtedly continue.

The ITD program apparently has not done much egg promotion. However, major egg solids manufacturers have promoted sales of their products in foreign markets for many years. Ohio is not likely to become a major producer of egg solids because total costs, including delivery, are likely to be lower to the west. Ohio could be a major competitor for foreign markets for the more bulky shell eggs.

Foreign Poultry Consumption Below United States but Increasing

Poultry meat consumption per person in most countries is well under the United States level but is increasing. Each of the 14 countries included in Table 4 increased poultry meat consumption per person between 1960 and 1964. It is apparent,

TABLE 4. Per Capita Consumption of Poultry Meat in Selected Countries 1960 and 1964

| Country | Pounds Per Person | |
|--------------------|-------------------|------|
| | 1960 | 1964 |
| United States | 34.3 | 38.4 |
| Canada | 27.7 | 34.5 |
| Belgium-Luxembourg | 12.1 | 20.0 |
| United Kingdom | 12.5 | 15.6 |
| France | 13.2 | 13.5 |
| West Germany | 9.9 | 12.8 |
| Switzerland | 8.9 | 12.3 |
| Austria | 6.4 | 12.1 |
| Italy | 8.2 | 12.1 |
| Netherlands | 4.1 | 8.8 |
| Greece | 5.0 | 8.8 |
| Denmark | 6.3 | 8.4 |
| Poland | 3.6 | 4.2 |
| Japan | 1.4 | 3.2 |

Source: Foreign Market for Poultry and Eggs. FPE3-65. FAS, USDA, October, 1965.

however, that there is much room for further increase. This increase is likely to come mostly from production increases within the areas with the amount of imports being largely determined by trade policies.

Poultry meat production also increased from 1960 to 1964 in each of the 14 countries. Production more than doubled in Japan, Austria and Switzerland. In the same 5-year period production also increased by more than 50 percent in Italy, Netherlands, Belgium-Luxembourg and Denmark. United States production, however, was greater than the other 13 countries included in Table 4 combined.

The major importing areas for poultry meat in 1964 were West Germany, Switzerland, United Kingdom, Austria, Hong Kong, Japan, Greece, Canada and Italy. These 9 areas increased poultry meat imports from 424 million pounds in 1960 to 583 million pounds in 1964. Only Canada and Italy had smaller imports in 1964 than 5 years earlier.

West Germany is the leading importer of poultry meat. In the first 6 months of 1965, only 33 million of its 188 million

pounds of imports came from United States. More than 25 million pounds of the United States exports to West Germany were poultry parts. United States was the major supplier of parts and whole turkeys. The possibility for future exports probably is greater for turkeys and turkey parts than for chicken parts.

World egg production has also been increasing. This has tended to dampen the export market for stewing chickens as well as for eggs.

West Germany is also a major importer of shell eggs. The major supplier is the Netherlands. Hong Kong imports relatively large quantities of shell eggs. But the major supplier is Mainland China.

Egg products exports have been declining. Major importers of the United States egg products in 1964 were United Kingdom, West Germany, Switzerland and Canada. Major suppliers of West Germany, however, in 1964 were Denmark, France, Netherlands, China and Poland. The United Kingdom imported large quantities of egg products from Australia, Poland, Netherlands and Denmark.

The possibility for increasing egg exports depends upon what happens in both exporting and importing countries. It will vary with feed grain production as well as trade policies.

Impact on the Marketing System

The major impact of exports is greater on Main Street than on the poultry industry itself. Poultry production tends to expand as total demand, both foreign and domestic, expands. Those with fixed investments in a non-expanding segment of the economy will gain. This is likely to be marketing firms and hatcheries. But the major effect is increased demand for feed, packaging, labor, equipment, transportation services and the things service people sell to those employed in supplying inputs to the poultry industry.

M. Eugene Cravens
Professor Agricultural Economics
Department of Agricultural
Economics & Rural Sociology
The Ohio State University

Dr. Cravens is Professor of Fruit and Vegetable Marketing in the Department of Agricultural Economics and Rural Sociology, The Ohio State University.

A native of Kentucky, Dr. Cravens received his B.S.A. degree from the University of Kentucky and his M.S. and Ph.D. degree from Cornell University.

Prior to joining the staff of the Department of Agricultural Economics at The Ohio State University, Dr. Cravens held positions as Assistant Professor at A & M College of Texas, temporary program for 6 months after war, and Assistant Professor at Michigan State College.

Dr. Cravens has served as Marketing Consultant for Market Research Corporation of America, National Cannery Association, various food chain stores and Weitz Hittelsatter Engineers.

Recently Dr. Cravens served as leader of a team making feasibility study on grain marketing and storage in East Pakistan.

He is the author of numerous pamphlets and articles on marketing and economics.

"ANALYSIS OF OHIO'S FUTURE EXPORT POSITION
ON FRUITS AND VEGETABLES"¹

The U.S. exports about \$150 million of vegetables and preparations yearly and \$290 million of fruits and fruit products. At the same time, we import about \$150 million of vegetables and vegetable products of which all are competitive. For fruits we import almost \$290 million of which about half are competitive and half are complementary. The latter are mostly bananas.

The most valuable vegetable export in 1964-65 was that of \$13 million of canned asparagus with \$9.8 million in fresh tomatoes next in importance. Next were exports about \$7 million of potatoes and \$5 million of canned tomatoes and tomato products.

Fresh fruits accounted for almost half the fruit exports with \$130 million, with citrus equal to about half of all fresh fruits. Dried fruit exports were about \$44 million, canned fruits \$75 million and juices \$34 million. Apples and grapes each accounted for about \$20 million.

In several of these fruits, imports exceeded exports. This occurred for berries, melons, canned mandarian oranges, and of course bananas, while for pineapple, imports equaled exports.

From the product list above one can see that Ohio is more an importer than an exporter and does not directly furnish much of the exported product. The major exceptions are fresh and processed tomatoes where Ohio exports greenhouse tomatoes and some canned tomatoes and tomato products and possibly some fresh onions.

In products such as bananas, which are not produced here, there is no problem. We get them from Central America, while Central America buys U.S. products not necessarily from Ohio, and everyone is happy. Even though bananas may compete almost as much with apples or oranges as would out of season shipments of these products themselves, there is little opposition to banana import. This is less true with products which are produced here.

Let's use Ohio's major vegetable product, fresh greenhouse tomatoes. While Ohio produces almost no fresh market tomatoes from January 1 to April 1, the state does have over 60 percent of the production of greenhouse tomatoes. This crop is mostly harvested October 1—December 31 and April 1—July 31. Most of the Ohio competition comes from Florida, Texas and California, but some also comes from Mexico, West Indies and from greenhouses in Canada. The latter competition is largely based on tariff and other protective devices used by the Canadian government to protect Canadian growers.

¹ Dr. M. Eugene Cravens, Professor, Agricultural Economics, The Ohio State University

It is to the interest of producers and consumers in Ohio, the United States and the foreign countries that trade rules and regulations be predictable and allow for the efficiencies made possible by specialization and exchange in tomatoes as well as other products.

Ohio producers are generally not in a good position for fruit and vegetable export. Prices are relatively higher in Ohio than in other states, except for fresh and processing tomatoes and tomato products.

I sometimes wonder why we get so excited about foreign trade. Our best markets are in Ohio and nearby and most of our competition is from domestic producers. Ohio imports oranges from California and Florida, but I don't know what we ship them—maybe nothing. Instead we ship grain and tomatoes to New York, and New York sends dresses and manufactured goods to California. Once this was the pattern also in foreign trade but not today nor in the foreseeable future.

I believe we can safely say that trade will exist among countries as between areas within a country if it is not prevented by governmental restrictions. The reason that trade does not exist is due to the fact that nations have the power to regulate trade, while states generally do not. This often denies the advantages of efficiencies from trade to both the potential producer and to the potential consumer of goods. Today it seems to me that we sometimes have, in the United States and in other countries, governmental policies which strive to encourage trade, while contrary policies strive to prevent trade. Often the economics of the situation appears to have very little to do with it. Unfortunately producers of fruits and vegetables are a very small minority, even among farmers a minority group, and their wishes are frequently ignored.

As long as Ohio has higher farm prices than other United States producers, they will not be likely to do too much exporting. For products where Ohio farm price are relatively low, such as in tomatoes, the future of exporting looks good and foreign market potentials should be investigated.

ANALYSIS OF OHIO'S FUTURE EXPORT POSITION FOR DAIRY PRODUCTS¹

Before we discuss the specifics of exporting dairy products from Ohio to foreign countries, let us first take a brief look at the current supply-demand situation in Ohio. Assuming the national per capita consumption of 620 lbs. to be representative of Ohio's consumption level and assuming a population of 10,250,000 persons in this state, this adds up to a total demand of 6.35 billion lbs. of milk equivalent. Last year, the total milk sold from Ohio farms was approximately 5 billion pounds. Ohio is, therefore, deficit in total milk by about 1.35 billion pounds.

Approximately 80 per cent of Ohio's milk production is sold as Grade A milk for fluid use. Assuming a per capita consumption level of 320 pounds, Ohio's Class I needs are approximately 3.3 billion pounds. The remainder of the Grade A supply is excess in fluid markets; however, much of it is used for the production of such products as cottage cheese and ice cream. It should also be pointed out that with the present heavy concentration of fluid milk sales on week ends (together with seasonal changes), a necessary reserve of approximately 20 per cent is needed for fluid markets. In Ohio, these excess supplies from fluid markets amount to over half of the quantity of milk manufactured into processed dairy products such as butter, cheese, and non-fat dry milk.

The most significant effect of increased exports of U. S. dairy products on Ohio's dairy industry is an indirect one. With the increased exports of butter, cheese, or non-fat dry milk to foreign markets, we can expect a strengthening of manufacturing milk prices over the country. Since our fluid milk prices are based on manufactured prices it is likely that such expanded export programs would raise the level of income to Ohio's milk producers. It would also have the effect of raising the price for many of these products in the domestic market. All segments of Ohio's dairy industry would be concerned with and affected by the long-run implications of such a program.

Because of the deficit supply situation in this state, it is unlikely that Ohio processors will participate in foreign export programs to any major extent in a direct manner. This is especially true for such major products as butter and non-fat dry milk. It may be possible that some Ohio processors could become significant exporters of specialty dairy products such as some specialty cheeses. The nature of Ohio's milk supplies might be well suited to the production of such products.

¹Elmer F. Baumer, Professor, Agricultural Economics, The Ohio State University.

One additional consideration relative to governmental programs is of real concern to Ohio's dairy industry. This concern deals with the total governmental efforts to aid the needy, both in this country and abroad. For example, during the past year the combined school lunch and school milk program used approximately three billion pounds of fluid milk. In addition to this, many pounds of butter and cheese were also utilized in these programs. It is obvious that curtailing these programs release a substantial volume of milk for export use. If these governmental programs are to be considered on an either-or basis, then I feel certain that all segments of Ohio's dairy industry will wish to evaluate the long-run implications of these programs on our domestic markets. Dairy products as a whole is an example of an industry where relatively small surpluses or deficits can have violent effects on price. For this reason, we need to concern ourselves with the whole package of governmental programs.

In summary, Ohio's role in exports of dairy products is obviously limited in light of its own supply-demand situation. Ohio milk producers will find an obvious advantage in an expanded U. S. export program due to higher price even though little of their products moved into export channels.

Ohio's Future Export Position in Livestock and Meat

Thomas T. Stout

Both exports and imports of livestock and meat products between the United States and other countries probably will increase in the years ahead. Characteristically, the role of the United States in foreign trade of meats and related products consists primarily of importing red meats and of exporting meat products and related animal products. In terms of both tonnage and value, inedible tallow and other animal oils fats and greases accounts for 30 to 40 percent of the typical U.S. exports of meats and meat products or by-products. Conversely, the great majority of the value of U.S. imports of meats and related meat products is represented by beef, pork, veal, lamb and mutton, almost all of which are received in fresh, chilled or frozen form. Fresh and frozen beef and veal alone account for roughly one-third of animal product imports. Among fresh meats exported by the United States, poultry and variety meats generally are the most important, and exports to the Common Market, West Germany particularly, account for most of our foreign poultry sales.

Meat imports as well as exports of the United States consist primarily of the cheaper cuts and of the lower grades and qualities, with imports used principally for manufacturing purposes. Some of the fresh or frozen beef imports go to retail stores, where they are used for hamburger. Most of the imported lamb and mutton is in fact mutton and is used mainly in the manufacture of a variety of cooked products. One reason for these patterns is that most foreign importing countries cannot afford our better-quality meat. Higher-quality fed beef is not generally available elsewhere for export and, therefore, cannot enter prominently into meat imports of the United States. In addition delivered prices of mutton and of lower qualities of beef produced abroad, even after payment of import duties, frequently are attractive to meat manufacturers in this country. In the absence of tariffs and import restrictions described later, imports of meats for use in processing or manufacture probably would be considerably larger.

Pork imports by themselves are an exception to the general patterns observed. Most pork imports are canned hams and shoulders which are the products of countries like Denmark and the Netherlands. Generally, these are imported and sold in the United States as semiluxury items. They are high-quality products and are imported primarily because producer price differentials in the United States do not call forth domestic production of these items in the quantities required to satisfy high-quality demand in this country.

The United States both exports and imports hides and skins. In some years imports are greater, but in recent years exports have exceeded imports. Exports consist mainly of cattle hides, but more than

three-fourths of the value of United States imports of hides and skins were represented by sheep and lamb and "other" skins. These "other" skins are not products of the livestock industry in the ordinary sense, being the skins of deer, buffalo, goats, horses, and kangaroos.

The quantity and value of United States foreign trade in live animals is small relative to total trade in livestock, meat, and related products and the United States normally receives more live animals than it sends to other countries. Moreover, most of the value of United States exports is found in baby chicks, cattle for breeding, and "other" animals. The latter category involves animals commonly regarded as pets rather than livestock. The value of imports, on the other hand, is found mostly in dutiable cattle. These are livestock that are subject to tariff regulations and are imported as feeders, herd stock, or for slaughter. Few are slaughtered; most are imported as feeder livestock. The only other significant imports are nondutiable cattle and horses intended for breeding.

Among foreign nations, most exports are made primarily to Canada and Latin American countries. Canada receives most of the fresh and frozen beef and veal exported from the United States, while Caribbean countries are important customers for canned and cured beef products. A large share of the nation's meat "exports," however, is to territories of the United States rather than to foreign sovereign powers. The meat item exported in largest volume is pork, nearly half of which goes to United States territories. Remaining quantities of pork go mainly to Canada and Venezuela.

Most imports of meat into the United States come from Australia or New Zealand. Canada and Mexico are principal suppliers and South America is a major source. Mexico, Argentina, and other Central or South American countries are primarily beef suppliers. While imports of beef from Canada are relatively large, receipts of pork from Canada usually are considerably larger. Canada is about the only country with which United States import and export trade in meat is about equal. Denmark, Poland, Ireland, and the Netherlands are the only European sources of consequence. Of the four, Ireland sends beef and veal, while the other three countries send pork. Lamb and mutton are imported almost exclusively from Australia and New Zealand.

Chilled and frozen beef imports come mainly from New Zealand and Australia, while Canada, Mexico, Costa Rica, and the Dominican Republic supply most of the nation's fresh beef imports. Canned, pickled, or cured beef imports are made up mostly of canned corn beef and canned roast beef which are received from Argentina and to a much lesser degree from other South American Countries.

Ohio is a state with both a large annual cash volume of agricultural production, and a large population. The net effect in terms of interregional trade within the United States is that Ohio is a deficit producer of red meats to meet it's own consumption requirements. Yet it is a leading meat processing state and it displays real potential for further growth in these processing industries.

In this general context, and with this broad background, I think we can proceed to examine Ohio's export possibilities in the discussion that follows.

United States Foreign Trade in Meats and Related Products, 1964^a

| Commodity | Unit | Exports | | Imports | |
|---|------|--------------------|-----------------|--------------------|----------------------|
| | | Quantity -1000- | Value \$1000 | Quantity -1000- | Value \$1000 |
| <u>Meats and Meat Products</u> | | | | | |
| Beef and Veal: | | | | | |
| fresh, chilled, frozen | lb. | 35,347 | 17,152 | 716,457 | 234,078 |
| pickled or cured | lb. | 19,324 | 5,254 | 371 | 222 |
| canned | lb. | 2,573 | 968 | 83,573 | 26,643 |
| Total | lb. | 57,244 | 23,374 | 800,401 | 260,943 |
| Pork: | | | | | |
| fresh, chilled, or frozen | lb. | 96,158 | 27,956 | 39,187 | 14,222 |
| canned: | | | | | |
| Hams & shoulders | lb. | 1,357 | 702 | 140,535 | 94,263 |
| other | lb. | 1,900 | 1,089 | --- | --- |
| other pork ^b | lb. | 33,572 | 9,032 | 30,902 | 18,493 |
| Total | lb. | 132,987 | 38,779 | 210,624 | 126,978 |
| Lamb, Mutton, & Goat: | | | | | |
| lamb; fresh, chilled, frozen | lb. | d | d | 10,439 | 2,689 |
| mutton & goat, fresh, chilled, or frozen | lb. | 1,252 | 677 | 34,304 | 7,567 |
| Total | lb. | 1,252 | 677 | 44,743 | 10,256 |
| Sausage, bologna, franks | lb. | 4,843 | 1,993 | --- | --- |
| Sausage casings | lb. | 14,175 | 9,305 | h | 17,415 |
| Variety meats | lb. | 229,428 | 47,582 | --- | --- |
| Poultry and game, all | lb. | 231,206 | 61,309 | 208 | 583 |
| Meat extract | lb. | 615 | 626 | 919 | 3,411 |
| Horsemeat | lb. | 666 | 211 | 43,278 | 4,287 |
| Other meats ^c | lb. | 6,393 | 2,109 | 30,714 | 8,804 |
| Total | lb. | 487,326 | 123,135 | --- | 34,500 |
| Oils, Fats, & Greases, Animal: | | | | | |
| Lard | lb. | 682,001 | 69,810 | 1 | d |
| Tallow: | | | | | |
| edible | lb. | 4,910 | 530 | 1,285 | 48 |
| inedible | lb. | 211,449 | 153,824 | 1,285 | 48 |
| Other fats, oils, & greases ^e | lb. | 304,533 | 25,172 | 9,939 | 1,576 |
| Total | | 3,102,893 | 249,336 | 11,225 | 1,624 |
| Hides and Skins: | | | | | |
| Cattle | No. | 11,503 | 69,262 | 13,639 | 2,180 |
| Calf | No. | 2,111 | 5,471 | 6,468 | 2,566 |
| Kip skins | No. | 280 | 1,618 | 19,111 | 7,585 |
| Sheep & lamb skins | No. | 3,065 | 6,650 | 62,377 | 32,489 |
| Other hides & skins ^f | No. | ---d | 9,693 | 41,409 | 22,708 |
| | Pcs. | --- | --- | 2,085 | 3,924 |
| Total | | --- | 92,694 | 145,089 | 71,452 |
| Miscellaneous ^g | lb. | 13,800 | 34,637 | --- | --- |
| Grand Total | -- | --- | 562,632 | --- | 505,753 ⁱ |

- a. Includes primarily products and by-products of meat animals. Does not include live animals, dairy products, eggs and egg products, silk, and honey.
- b. Includes such items as bacon, cured hams, shoulders, pickled pork, and sausage pork.
- c. Includes such items as baby food meats, specialty meats, liver paste, frog legs, and other miscellaneous fresh, canned or frozen products
- d. Insignificant
- e. Includes such things as stearic acid, oleic acid, oleo stock, stearin, wool grease, and chicken fat.
- f. Includes such miscellaneous hides and skins as deer, buffalo, goat horse, and kangaroo.
- g. Includes hair, beeswax, blood, albumen, glue stock, feathers, galatin, etc.
- h. Reported in value only.
- i. Not included in miscellaneous imports

Source: Economic Research Service: U.S. Foreign Agricultural Trade by Commodities, Calendar Year, 1964, U.S. Dept of Agric. June, 1965