

THE NEW POLITICS OF FOOD

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Politics is the science of how who gets what, when and why. (Sidney Hillman, in *Political Primer*, 1944.)

The world is very much concerned about how who gets what food, when, and why.

In many foreign lands, millions continue to suffer from inadequate diets, and through modern communications they realize that others do not. In still other foreign lands, such as Poland and the USSR, millions would like to add more meat and animal products to their diets, and through modern communications they know that others enjoy such diets.

Domestically, millions of us increasingly realize, again through modern communications, and through price changes, that the incomes of American farmers, the budgets of American consumers, and subsidies for the U.S. maritime interests are closely related to the poverty in Northeast Brazil, drought in the African Sahel, decisions in the Kremlin, and empty food bowls in parts of Asia.

This heightened awareness is leading an increasing number of Americans and officials of foreign governments to press for political decisions regarding food. Therefore, I have chosen to discuss in this paper: (1) the increasing pressures for political decisions regarding food, (2) the context in which these decisions will have to be made—great discontinuities among nations and wide disparities of wealth and income, and (3) issues which are especially related to the prices and the distribution of food. The political and economic response of the United States to the issues related to food prices and distribution can greatly affect the lives of the poor of the world and the relationships among nations.

NEW PRESSURES FOR POLITICAL DECISIONS

People and governments are saying that they are unhappy with the prices and the distribution of food. Domestically, U.S. government agencies and economic groups which heretofore had paid little attention to food policies are aggressive participants in the debate. International meetings about food attract many partici-

pants other than the representatives of the traditional food and agriculture units of government.

Mr. Meany and other spokesmen for special interests see the prospective sale of grain to the USSR and the related public concerns as an opportunity to press for increased government subsidies for the maritime industry and to draw attention to the effect of such a sale on the U.S. cost of living. Farm organizations have established a "hot line system" aimed at neutralizing the political influence of those critical of the prospective sales. Internationally, the World Food Conference established new institutions to give greater attention to food problems of the developing countries and to encourage political decisions affecting the prices and the distribution of food.

Detente with the USSR and the People's Republic of China has added another set of political dimensions to food. In both countries government units conduct the international trade. Political as well as economic considerations undoubtedly influence the timing and amount of their contracts for food imports and food exports. These considerations are part of the total political framework in which world food problems must be examined.

POLITICAL DECISIONS HAVE ALWAYS AFFECTED FOOD PRICES AND DISTRIBUTION

Political decisions have always affected domestic economies and international markets. In some cases the effects are direct, as when governments buy and sell commodities and set trade subsidies and tariffs. In the United States, restraints on meat imports, marketing agreements, and the food stamp program illustrate political decisions affecting food prices and distribution.

Significant efforts have been made over the years to integrate politics with economics in international food trade. The General Agreement on Tariffs and Trade (GATT), for example, has focused on national trade barriers and the overriding influence of domestic food policies on international trade. The International Wheat Agreement, while criticized in many ways, did provide a "legitimate" framework for the United States and Canada, and to some extent Australia, to cooperate in making government decisions regarding international wheat trade in the 1960's.

During some periods in the past, such as in the mid-1960's, there has been increased concern about world food problems with subsequent diminishment of these concerns. Thus, it is reasonable to ask: Is the present situation fundamentally different, and will the

current politicizing be more sustained? One cannot be sure, but there is a greater chance that it is different and the politicizing will be more sustained.

One reason for this expectation is the prospective uneasy balance between supply and demand for food, even though the crisis conditions of recent months will not continue on and on, and per capita supplies of developing countries will resume an upward trend. But the gains will be modest, and the masses of low-income people in these countries will experience only limited improvements in nutrition. Further, supplies in developed and developing countries are bound to be affected both by weather variation and energy prices and availabilities. Levels of demand for imports are highly uncertain. The unpredictable decisions of countries such as the USSR and the People's Republic of China are involved.

The answer also is associated with the international context in which political decisions will have to be made—new discontinuities in the relationships among nations and challenges to the situation whereby wealth and income overwhelmingly affect the incidence of hunger in the world. These factors have the potential to sustain the current concern for food and make its effect greater than it has ever been before.

THE SETTING FOR POLITICAL DECISIONS

New Discontinuities Among Nations

The recent politicizing of food comes at a time of great discontinuities in relations among nations. The decisions of the Organization of Petroleum Exporting Countries (OPEC) have caused sharp changes in the distribution of income among nations. Detente with the USSR and the People's Republic of China calls for political, nonmarket considerations by the United States in exporting food to these countries.

Intensified pressure by the low-income countries for better terms of trade and distribution of goods, including food, are likely to continue. Improved transportation and communication make it increasingly unlikely that the masses in the lower-income countries will quietly tolerate a widening gap between the rich and the poor countries. The same may be true of the gaps between the rich and the poor within the low-income countries.

The leaders of the developing countries see that the OPEC, through political decisions, is exacting the type of prices that they desire for other products. Developing countries take satisfaction in the injury the OPEC is inflicting on developed countries, even to

the extent of quietly tolerating serious consequences of the OPEC actions on themselves. The developing countries essentially argue that the rich, through GATT, the Organization for Economic Cooperation and Development, the International Monetary Fund, and multinational firms, have politically controlled the economics among nations. Politics has been involved, but it has been developed-country politics.

Effects of Wealth and Income on the Incidence of Hunger

One of the central questions in the new politics of food is, should wealth and income continue to have an overwhelming effect on the distribution of food and, therefore, the incidence of hunger in the world?

Today, people in the developing nations, which include two-thirds of the world's population, eat only one-fourth of the world's protein, and most of that is in the form of cereals. In countries such as India, people consume less than 400 pounds of cereals per capita each year. On the other hand, in the developed countries, large quantities of cereals are converted to protein. Annual per capita grain consumption is 1,435 pounds in the USSR, about 1,800 pounds in West Germany and France, and 1,850 pounds in the United States. The billion people in the rich nations, with tastes for livestock products, use practically as much cereal as livestock feed as the two billion people in the low-income nations use directly as food.

While population growth has obviously been a significant factor in increasing world food demand, even more striking has been the sharp recent increase in cereal consumption per capita in developed countries where populations have *not* been growing rapidly. In the eight-year period, 1964-66 to 1972-74, per capita consumption of cereal grains increased by 250 pounds, or 16 percent, in the United States and by 330 pounds, or 30 percent, in the USSR. These gains were more than half the 1972-74 total consumption of 395 pounds per capita in the developing countries.

The USSR's decision to protect diets was felt worldwide by both rich and poor. When the Soviets purchased almost one-fifth of the total U.S. wheat supply in the 1972-73 crop year, supplies normally available to others dropped sharply. Nations and people reacted by bidding up the price of the remaining wheat, the more aggressively because the currencies of Japan and several other commercial importers of U.S. foodstuffs were worth substantially more in terms of dollars as a result of successive devaluations.

In contrast, the limited wealth and low income of the poor countries again determined how well they could compete in food purchasing. So long as total cereal production is responsive to needs, effects on the poor are minimal, especially over time. But in times of sharply increased demand or curtailed supplies, the impacts can be harsh. For example, the 1972–73 Indian food grain crop dropped from 105 million to 96 million tons. In the tug of war between maintaining diets and saving foreign exchange, diets lost and food prices were allowed to increase. In some areas, food grain rations were cut in half in fair-price food shops, which serve many of the lowest-income Indians. Per capita calorie availability dropped toward the critical levels of the mid-1960's.

Thus, in a world with great wealth and affluence among only one-third of its population, the 2,300-year-old words of the Greek cynic, Diogenes, come back to haunt us. When asked for the proper time to eat, he responded, "If a rich man, when you will; if a poor man, when you can."

But it is important to distinguish between the short run and the long run. In the short run, the world is dealing with food already produced or about to be produced. The distribution of income among rich and poor is then a primary determinant of the distribution of the food. In the long run, producers respond to demands flowing from incomes. Thus, the low incomes of the developing countries have been a primary determinant of the low food consumption levels of these countries, but the high incomes of the developed countries have not.

FOOD PRICE, PRODUCTION, AND DISTRIBUTION ISSUES

Of the many food issues demanding attention, I will focus on these four: instability of prices, rules of the game for trade, food aid, and low productivity in the developing countries.

Instability of Cereal Prices

By maintaining large grain stockpiles, the United States has in past years been able to moderate price swings—nationally and internationally. The availability of U.S. stocks dampened price changes in the international market while discouraging increases in domestic prices. In times of general surplus, the United States chose to stockpile grain and withhold land from production rather than accept lower domestic prices or pay larger export subsidies.

This situation has completely changed. Stocks held by the government have been eliminated, and land once held out of production has been freed for production. In general, any amounts of food

commodities can be purchased from private traders for export from the United States (with exceptions such as the export limitation on soybeans and oilseeds during July–September 1973, last fall's cut-back on USSR purchases, prior approval requirements for large sales, and the present hold on sales to the USSR).

U.S. farm prices are influenced by international markets, and vice versa. In the absence of U.S. government stocks, and with the domestic U.S. market and the international market moving together, food prices will be unstable. And this instability will increase as weather conditions around the world change from year to year, producing changes in import needs and export supplies.

In the face of this price instability, several different types of adjustments may be made. First, adjustments may occur in the feed-livestock sector. The United States has recently experienced sharply higher feed costs and, in turn, a sharply reduced consumption of cereals as feed. As shown in Figure 1, adjustment in feed grain consumption is in marked contrast to the increased consumption of cereals in the USSR.

Second, various export control devices may be used to stabilize domestic U.S. prices. The state-trading nations and some other

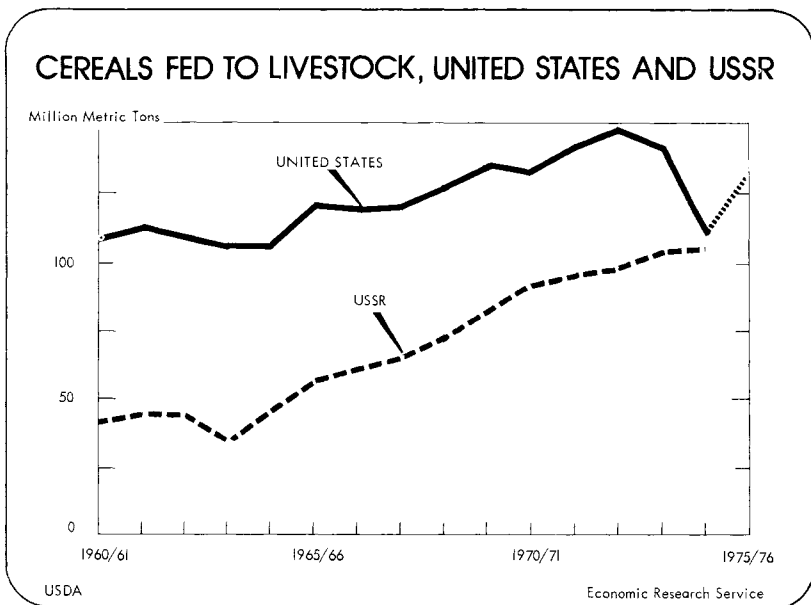


FIGURE 1

developed countries can control exports and insulate their domestic price structure from international price changes. The Canadian Wheat Board, for example, decides whether to offer wheat for sale and at what price. Contracts are not made unless supplies are estimated to be clearly available.

One of the outstanding political issues is, should the United States establish export controls, taxes, or subsidies? It is important to recognize that although export taxes have been commonly employed by other countries to insulate domestic prices by reserving supplies for domestic consumption, the U.S. constitution apparently forbids such taxes. However, for a brief period during the 1960's, techniques were devised whereby wheat exporters on occasion "paid" the U.S. government specified amounts, under a balancing arrangement. On other occasions, when U.S. prices were higher than international prices, the exporters "received" a payment.

In a real sense the United States already has a form of export licensing for part of our exports. For shipments of food under Public Law 480, the country desiring commodities approaches the U.S. government. The government, considering U.S. market conditions and the credit needs of the applying country, decides on the amount to be financed by P.L. 480 funds. This agreement is made public, and the recipient government proceeds to deal with the private trade in making the purchase. If such an approach were expanded to commercial sales, the review process in the U.S. government could be focused primarily on supply availability.

Third, adjustment to price instability may also take the form of establishing food reserve stocks nationally, by importers or exporters or both, or conceivably on an international basis. The mechanics and policy framework for acquiring and managing these stocks are not easily established, due to the multiple and sometimes conflicting objectives of a stocks program. Such programs can operate in a host of ways: They can stabilize prices or, by withdrawing supplies, actually increase prices; they can be used to stimulate production, or as a set-aside to meet acute shortages (which, however, reduces their usefulness in stabilizing prices); they may or may not be earmarked especially for lower-income countries.

There are other questions, such as, where should stocks be held and by whom? Stocks need to be distributed throughout the world to avoid overdependence on a small number of countries in times of shortage. U.S. stocks alone are not an adequate answer.

Moreover, significant buildups of U.S. stocks would surely operate, as in the past, to lull others into believing that they need not build their own reserves.

An especially crucial question for the United States is, should we depend on private trade or the government to carry the stocks? The private trade will limit the stocks they carry if large stocks are carried by the U.S. government. How much they will accumulate and carry if the government does not have any stocks is not known. Serious consideration needs to be given to ways to encourage the carrying of stocks by private trade.

Costs of stocks also argue that not just major exporters should be involved in a food reserve scheme. Food stocks are expensive to purchase initially, and they are costly to store. Rough estimates of monthly costs of storing grain stocks in the United States are 60 cents per ton, exclusive of interest costs of money invested in the commodities or any allowance for physical deterioration or losses. If interest costs are added—at 8 percent on an assumed value of 75 percent of the current U.S. market prices for grain—the annual carrying cost of one ton of wheat would be \$21, or for one ton of corn, \$14.

Estimates of the amount of stocks “needed” vary and depend on objectives. One way to estimate the need is to consider the fluctuation of production in past years. Based on 1960–73 world production changes, 25 to 40 million tons of grain would be needed to meet two-thirds of the annual shortfalls.

For the United States there are important trade-offs. As long as the U.S. balance of payments is in doubt, the benefit from high export sales of agricultural products is bound to weigh heavily. On the other hand, over time exports would be expanded if supplies to foreign customers could be assured from year to year at relatively stable prices. For dependability, an exporter of farm commodities may need not only supplies for which importers can bid but available supplies at relatively stable prices.

Unstable food prices are of concern to consumers and labor unions. Farm interests, too, may become frustrated with the effects of instability. Major groups of American farmers have benefited from high prices; for others the benefits have been more limited or none at all. For example, net farm income in New York and Pennsylvania in 1974 was up 25 percent from the 1969–71 average. But in Iowa, Illinois, and Indiana, it was double.

Eventually, U.S. interests may dovetail with an international

food stocking program. For example, the day could come when U.S. farm producers as a whole would prefer cattle prices that stabilize close to \$40 rather than \$55 cattle one year and \$30 cattle another. International discussions continue, but ways to stabilize prices, such as stocking programs, are not likely to be developed until the degree of instability is known and the effects of instability felt.

Rules of the Game for International Trade in Food

GATT was designed to bring about progressive liberalization of trade—including agricultural trade—especially among Western Europe, North America, and Japan. The results for agricultural trade have been limited. The European Community is highly protected with a variable levy system on most agricultural imports. Japan retains significant control on imports and high internal food prices. However, since their food needs exceed their food production, their imports have expanded, and the United States has adjusted its commodity programs to permit a close interfacing of the international and domestic markets. But these adjustments have come largely as a result of U.S. objectives rather than from partnership in reordering economic relations.

The role of developing countries in GATT has been severely limited. Further, we have avoided dealing with a wide range of trade matters in other forums where developing countries are more prominent. Mr. Kissinger's suggestions to the United Nations would seem to call for a significant departure from this approach.

But the most crucial problems of international trade in agricultural products relate to trade with the USSR and other state-controlled economies. These problems are especially acute for the United States because of our dominance as an exporter. But all countries have a stake in them since they affect commercial and noncommercial supplies and prices to other importing countries.

When the United States made export payments and had substantial stocks of wheat, international prices and shares of export markets among suppliers such as the United States, Canada, and Australia reflected those known political and economic facts. In contrast, information about Soviet crop conditions, government budgets, political directions, and other relevant factors is extremely limited. The recent agricultural agreement between the USSR and the United States calls for exchange of information on crop conditions and forward estimates of crop production and trade. However, these provisions have not been fulfilled.

Variations in Soviet cereal production are largely weather related. Only one-third of Soviet agricultural land lies south of the 49th parallel and only 1 percent of it lies in areas with an annual rainfall of 28 inches or more. In contrast, almost all of the United States lies below the 48th parallel, and 60 percent of U.S. arable land receives at least 28 inches of rainfall annually. Little wonder, then, that frequent and wide changes occur in Soviet cereal production. Figure 2 shows an impressive upward trend of 3 percent annual growth since 1960, but it is like the teeth of a jagged saw, with large fluctuations almost annually.

In spite of these long-term increases of production, the USSR has pushed livestock production so that only in years of outstanding cereal production are there supplies adequate without imports. In years of poor harvest, such as 1975, large imports are required to avoid extensive livestock liquidations.

The problem is broader than trade with the USSR. In the 1973-74 crop year, the People's Republic of China became a much larger buyer of grain, with purchases totaling probably more than 9 million tons, a 50 percent increase over recent import levels. Moreover, China switched heavily to the U.S. market, taking 7

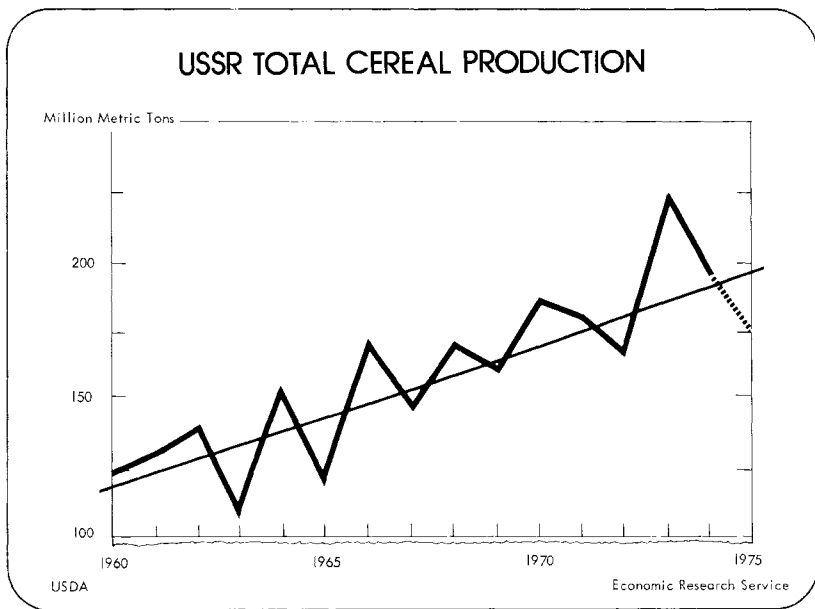


FIGURE 2

million tons of the total here and becoming the prime U.S. wheat customer for this period. And this after a year when weather in China was generally good, with no sign of catastrophes. We simply do not know either the present guidelines for Chinese purchases or the true state of Chinese stocks.

The Japanese government and Japanese importing interests work together closely. In 1973 Japanese concerns purchased relatively large amounts of cotton and shrimp, sharply raising prices in both markets as private U.S. traders attempted to buy from remaining supplies. The Japanese purchases of grain have been more stable, however, and Japan has been willing to indicate its import needs at an early stage.

There is an urgent need to develop understanding of “the rules of the game” with large countries—especially those dealing as monopolies or near monopolies. As a minimum, the U.S. government and the public must have information on developments within these countries. Information on weather, agricultural production, stocks, and prices would appear to be essential if these countries are to have access to our markets. However, information alone would not automatically prevent wide swings in U.S. prices. To permit any large country to make purchases of any size in U.S. grain markets subjects the U.S. market to possible wide fluctuations in purchases amounting to possible manipulation by political leaders of other countries.

Perhaps bilateral deals and understandings are not the long-term answer to this problem, but for the time being they are essential. In the Soviet case, for example, should not sales of U.S. grain be part of a larger arrangement involving U.S. imports of Soviet products? One possibility would be petroleum products. Should not the arrangement also provide for maximum and minimum purchases to permit sharing by both the USSR and the United States in adjustments to possible shortfalls in Soviet production as well as shortfalls in U.S. production? In any case, the traditional “rules of the game” are now unacceptable politically and economically to many people and governments. New rules will have to be instituted.

Food Aid

The developing countries would benefit enormously from measures to limit the fluctuation in world food prices and from greater stability of USSR activity in international food markets. Regardless, the crucial question is whether other nations, including

the United States, should take other steps to help developing countries attain at least minimum essential levels of food.

Recent upward pressure on prices and the potential to export all available cereals in excess of U.S. domestic needs have brought significant changes in P.L. 480 programs. In 1974 the quantities of food aid dropped significantly. Because of higher prices, the drop in value was much less. Quantities in fiscal year 1975 were higher, but still significantly less than in earlier years.

The reduction of international food sharing contrasts sharply with domestic food sharing. The food programs—child nutrition, special milk, and food stamp programs—were proposed in the January 1975 Budget Message of the President at a record level and represent almost three-fourths of the Department's budget.

P.L. 480 has been a program for U.S. agriculture. For many years, P.L. 480 programs were consistent with commercial objectives for agricultural exports. They permitted us to charge lower prices to poor countries without undercutting our prices to the richer countries. Through adjusting terms—use of the local currency, credit, and commercial sales—effective prices were tailored to the customer's financial and security status.

With strong demand, negligible stocks, and high prices, it is not now advantageous to move significant amounts of food under P.L. 480. Therefore, political support for food aid has waned somewhat, although new efforts are under way in the Congress to put new life into the program. But considering the large and growing import bill for petroleum supplies and the potential of commercial agricultural exports to ease the burden of that bill, concessional sales or grants in a U.S. food aid program will probably not provide the volumes that they have in the past. The significant food gap in the developing countries remains to be filled by some other means.

The world and the United States will need to evaluate trade-offs between food aid and other economic assistance. Most developed countries and international assistance agencies have limited but significant resources for assisting lower-income countries. Hitherto, they have never had to closely evaluate trade-offs. In the United States, such consideration could be avoided since the appropriations flowed from different congressional committees to different executive departments. P.L. 480 as an agricultural program pre-empted and relieved economic assistance agencies like the U.S. Agency for International Development and the International Bank for Reconstruction and Development. The international assistance agencies did not pick up food aid simply because it was in

the U.S. self-interest to finance and implement a program of food assistance as a major adjunct to U.S. agricultural programs. It was mutually advantageous to have this division. Resources for international assistance could be used for items other than food, and the Department of Agriculture could carry the cost of food aid.

It is time for international agencies such as the World Bank to ask, should not food aid be made an integral part of economic assistance programs? And, it is time for the lower-income countries to ask, should we use aid proceeds to buy turbines or to buy grain in times of food shortages?

Food assistance can be a form of investment. As with P.L. 480, the proceeds from the sale of food provided on a concessional basis can be used for investment in irrigation facilities, locally made machines, and production facilities—much as hard-currency loans can be used to provide foreign-made machines, and perhaps with greater employment and productivity effects. These choices have not been faced simply because, through P.L. 480, food was “priced” low, and the money, once appropriated for food aid, could not be switched to other assistance activities. Now the higher prices will require more difficult and complex choices.

Low Productivity in the Developing Countries

The World Food Conference correctly emphasized the need for increased food production in the developing countries. This is especially important when one considers the significance of increased production in these countries to employment opportunities and economic growth and the relation between socio-economic conditions and population growth rates. Some of the issues involved relate directly to policies of the developing countries. Others relate more to the policies of the United States and other developed countries. One of these concerns U.S. universities. What should be the role of the U.S. agricultural scientific community in improving the productivity of agriculture throughout the world?

U.S. universities, the U.S. Department of Agriculture, and private industry have contributed importantly to the productivity of agriculture in the United States and in other countries. The widely acclaimed international research centers have been staffed almost exclusively by U.S.-trained personnel. Further, the U.S. agricultural community has generated much of the basic knowledge on which these centers and other research organizations rely.

Significant changes have occurred which call for a re-

examination of the prospective role of the Department and the U.S. universities in the emerging international network of agricultural research. These changed conditions include:

1. A greater recognition by the lower-income countries, as well as the United States, of the importance of improving food production in the lower-income countries.
2. A greater recognition of the role of technology in increasing food production.
3. An expanded role of international research institutes in contributing to the world agricultural scientific know-how and technology.
4. Aggressive efforts by the OPEC to enhance the productivity of its agricultural sectors and related requests for substantial technical cooperation.

We must become involved on a much greater scale. Because of our size and expertise, I expect a continual heavy demand on the U.S. agricultural scientific community for participating in technical cooperation programs. Responding to these demands without increasing our *capacity* to respond could mean that we would drain the reservoir of our technical expertise and be unable to meet the greatest needs, namely, in the poorest countries.

Another change is the important research being conducted in other countries. U.S. science can benefit increasingly from being involved with scientists in other countries on a professional basis. In my judgment, greater involvement of the U.S. scientific community calls for new organizational arrangements and adjustments in the way we do business. For example, for the universities to cope effectively with the questions of coordination and policy, they need a Washington, D.C., staff to deal with these international problems on a day-to-day basis. The recently established International Science and Education Council links the Department and the universities together on broad policy questions, but it will not be fully effective without important university staff input.

The funds for international agricultural research and education should be increased by large amounts. In using these funds, we need to move toward decentralized decision making. Automatic allocation of a significant proportion of such funds to U.S. universities would be an important step in this direction. While current legislative proposals would enhance the role of the universities in international development work by providing them with more re-

sources, it is not clear that the proposals would decentralize decision making.

CONCLUSION

In closing, significant progress has been made in dealing with world food problems. There is nonetheless a new politicizing of food that is putting new policy issues on the agendas of the American public, the U.S. government, foreign governments, and international organizations. The eventual *political* decisions on these and other issues will determine not only how well the world is fed but also future relationships among nations.

PART IV

*Domestic Food and
Farm Policy*

