Present and Future Surpluses—Trends and Solutions from the Standpoint of Foreign Demand

By Gwynn Garnett

Foreign markets by themselves are no solution to our surplus problem, but their contribution to reducing surpluses is obvious. A few days ago you probably noticed our announcement of a big export agreement with India. Under this single agreement, which was negotiated under Public Law 480, we will be using the equivalent of about 15 percent of the government's wheat stocks and 20 to 25 percent of the government's expected rice stocks.

We have expressed our export objective as "regaining, maintaining, and expanding" our foreign markets for United States agricultural products. The export statistics show we have been doing a consistent job of moving toward that target.

Except for cotton, which posed special problems, the quantity of United States farm products that moved overseas in the fiscal year ended last June was the highest on record. It appears that the volume of United States farm exports this calendar year will set an all-time record.

We all recognize that the world market is not a bottomless pit. There are limits to how much farm products we can move into it. But we have not reached those limits. It is a fact that world trade in agricultural products is expanding even faster than our share in that trade is expanding. As foreign customers gain more purchasing power, our agricultural export potentials increase accordingly. American agriculture has opportunities to build an increasingly large foreign market in the years ahead.

PRESENT SITUATION

As a basis for this discussion, let us recapitulate where our agricultural exports stand today.

In the fiscal year 1955-56, ended last June 30, our agricultural exports totaled an estimated 3.5 billion dollars. This represents an increase of 11 percent in value and 13 percent in quantity over the previous fiscal year.

If we build the comparison on a longer period, the picture is even brighter. Compared with 1952-53, which was a post-Korean low point, our farm exports last year were up 24 percent in value and 34 percent in quantity.

The score card shows that in 1955-56, some new records were established. Commodities setting new export records were feed grains, soybeans, vegetable oils, tallow, fresh oranges, grapes, and hides and skins. Cotton linters exports were the highest in 40 years.

Good export records also were set by some other commodities. Protein meal was highest in 29 years; rye, highest in 27 years; canned fruit, highest in 16 years; tobacco, highest in 9 years; wheat, highest in 4 years; and so on down the list, with improvements shown also for beef, butter, cheese, lard, apples, and raisins.

Of leading export products, only five dropped as compared with the previous year – cotton, dried peas, prunes, potatoes, and canned vegetables.

WHY THE IMPROVEMENT

Several factors are responsible for the general improvement in our agricultural exports. The most important factor probably is the assistance of our government through its various export programs. We cannot overlook some other factors, however, which in total have equal significance.

Foreign economic activity, for example, is high. Industrial nations are continuing to expand. In Western Europe, which takes about half of our agricultural exports, industrial output last year reached a record high. Foreign customers are financially stronger. They have been able to increase their dollar imports and to add to their gold and dollar reserves. Some countries, particularly those subscribing to GATT (General Agreement on Tariffs and Trade), have liberalized their import policies toward United States farm products.

Commodity shortages in some countries due to bad weather raised the demand for our products. Last winter's freeze in Europe damaged some grain and fruit crops. Pakistan took more wheat and rice due to drought. A short sunflower-seed crop in Argentina and damage to olive oil production in the Mediterranean area raised demand for our fats and oils.

In attempting to take advantage of foreign marketing opportunities, the Department as a matter of policy emphasizes dollar sales. The Commodity Credit Corporation has initiated an aggressive merchandising program to maintain and expand export sales for dollars. Last fiscal year CCC export disposal commitments, including those made under special government programs, totaled 1.7 billion dollars as compared with 1.1 billion dollars of the previous year. Despite these efforts, special export programs of the United States Government are playing a major role in maintaining agricultural exports. In the 1955-56 year approximately 36 percent of our agricultural exports moved under these special government programs.

Sales of surpluses for foreign currencies is one of the leading programs. The Foreign Agricultural Service administers Title I of Public Law 480, which permits up to 3 billion dollars in sales of surpluses for foreign currency, and last fiscal year about 12 percent of all agricultural exports was due to that program alone. Title I sales accounted for large percentages of exports of wheat, rice, cotton, cottonseed and soybean oils, and tobacco. Similarly, the International Cooperation Administration sold large quantities of surplus agricultural products for foreign currencies under authorization provided by Section 402 of the Mutual Security Act.

Barter activity last fiscal year doubled, and accounted for about 8 percent of our agricultural exports. Also, the United States donated increased amounts of farm products to our private relief agencies to help the foreign needy.

DOLLAR-SALE OBJECTIVE

We are in a transitional period, operating under certain emergency conditions, and government export programs such as these are helpful and necessary at this particular time. But it is not right that our modern, progressive agricultural industry should continue in the years ahead to lean so heavily on government.

The primary objective of the United States agricultural industry should be to develop a flourishing export business, built on competitive quality and prices, and based on sales for dollars. The government can assist private trade in various helpful ways, but the role should be a secondary one.

To illustrate what I mean, the following are some of the ways that government is helping American agriculture to export more products for dollars:

We are participating in the Reciprocal Trade Agreements Program. We see this program as a helpful mechanism for maintaining mutually profitable world trade at a high level.

We have set up an effective staff to help United States trade in dealings with foreign countries. This includes our agricultural attaches, now covering 56 foreign posts, and a corps of marketing specialists who, on a commodity basis, are helping to open up foreign markets.

We are working directly with foreign governments to gain greater access to overseas markets.

The Commodity Credit Corporation is offering most of its products at competitive world prices.

We have set up promotional projects abroad. These include agricultural exhibits at international trade fairs and broad educational and promotional programs to encourage foreign demand for United States farm products, so far including cotton, wheat, soybeans, tobacco, rice, and dairy products. In this work, we are receiving cooperation of United States trade groups.

NEW OPPORTUNITIES

No distribution mechanism has been invented that compares in effectiveness with the market.' In looking for ways to expand its exports, American agriculture needs to look first at new opportunities in the field of regular commercial marketing. Vigorous merchandising of quality products that are competitively priced is a first requirement.

In this field, government should play an important assisting role in providing market intelligence and market analysis, and by cooperating in promotional programs. But the basic initiative must come from private business and associated organizations.

Private business, by and large, recognizes this and is doing more and more to develop new markets abroad. Let us take our livestock and meat industry as an example. As foreign consumers become more prosperous, they become better potential customers for our livestock and meat products. As indication of this, last year our exports of variety meats went up 93 percent; beef and veal, 60 percent; tallow and greases, 32 percent; and lard and hides and skins, 12 percent. These increases were due in large part to expanded dollar sales. Tobacco exports were up 24 percent, due in important part to more dollar sales. Fruit and vegetable exports were up 19 percent, and here again was reflected the promotion of dollar sales.

We find today that most of the segments of American agricultural trade have increasingly active export promotion organizations. The Department of Agriculture is working closely with these organizations.

American agriculture, by aggressively working toward maximum exports for dollars with minimum reliance on government programs, has the opportunity to prevent surpluses in some farm products and appreciably reduce the surpluses in others. With world economics on the march and world markets expanding, this is one of the great opportunities of the future.

PART IV

Extension's Role in Rural Development