



## Buyer's market in Europe impedes sale of U. S. agricultural products

**D**EVELOPMENT of a buyer's market in Europe for many agricultural commodities poses a challenge to American agriculture, particularly with regard to surplus items, the Foreign Agricultural Service notes in a new study.

"Opportunities for Trade with the Cooperatives in Ten Western European Countries" prepared by John H. Heckman notes that the present trend is toward an improved supply situation in Western Europe, the United States, and other areas plus a new method of pooling orders on the part of European buyers.

Another factor affecting United States-European trade in agricultural commodities is an easing of European government controls over agricultural imports. Dollar exchange control by many of these countries, however, is responsible for indirect control over imports.

The Foreign Agricultural Service, in its efforts to assess foreign cooperatives as outlets for United States agricultural products, has made several detailed studies in Europe and Canada. In addition to the publication cited above, USDA has issued "Trade with Canadian Cooperatives," prepared last January.

### **Canadian Cooperatives Active Buyers and Sellers**

Canada is the best foreign customer of the United States and this country is Canada's largest export market. Trade between the two nations is greater than that between any other two nations in the world. This trade totals almost \$5 billion a year (1951). On the whole, the value of U. S. exports to Canada exceeds imports by about \$350 million a year (1947-51). The balance is maintained by U. S. dollar investments in Canada and tourist dollars.

Trade in agricultural commodities between the two nations, which exceeds \$600 million a year (1951), is almost evenly divided. High transcontinental shipping costs tend to force some com-

modities such as fodders and feeds to move in a north-south direction rather than east-west. Principal U. S. export is cotton. Other items include citrus and soft fruits, and some vegetables. Canada exports cattle, meat, potatoes, and clover and grass seeds.

From 1935 to 1939 Canada purchased 8.4% of U. S. agricultural exports. Following World War II this figure dropped because Canada imposed restrictions on imports to conserve her dollar balance and because many American products were sent to Europe under the European Recovery Program. Since 1948 Canada's exchange position has improved and U. S. imports have increased. In 1951, for example, Canada purchased over 7% of U. S. agricultural exports, making Canada seventh among markets for these products. Canadian exports to the U. S. represent 7% of all U. S. farm imports.

USDA points out that Canadian cooperatives carry on much of Canada's export-import dealings in agricultural products. The cooperatives handle about 35% of the total dollar volume of agricultural products sold in Canada. They have close dealings with U. S. cooperatives and in some cases carry on joint programs, as in the case of purchases of farm equipment and petroleum products.

### **Dollar Exchange Complicates European Purchases**

Agricultural cooperatives and other trade groups in Europe must fit their purchases and sales of U. S. products into the over-all trade policies of their governments and those of this country. These policies are based on dollar balances, compared to other balances, which are available for trading in U. S. commodities and alternative sources of these products.

Free trading, one of three methods in use, is limited to a few countries and to a

few commodities in other countries. In some countries which exercise rigid controls over dollar transactions, free trading is permitted only with "free dollars." Free dollars are a portion of the dollars received by exporters for sale of commodities in dollar areas. The foreign seller can use these dollars to purchase items in the United States or he may sell them to other dealers. Dollars of this type frequently cross national boundaries.

In other countries, quotas or dollar allocations are made for specified commodities. Generally, trade in these nations is carried on only by regular dealers who are assigned quotas based on the export sales of the dealer during a given base period.

Another type of trading is where the government itself is the purchasing agent. Cooperatives and individual traders get into this picture indirectly through having representatives on government purchasing committees. In some cases traders and cooperatives submit bids from their usual suppliers to the government committee. The government committee will then make the purchases reselling the items to the members of the trade on a quota basis.

Many U. S. commodities exported to Europe are handled by consumer and agricultural cooperatives. Trade with these groups has increased as the various governments have relinquished direct handling of commodities such as fruits, rice, and nuts.

While direct government control over imports has declined, governments still control trading through import quotas and dollar allocations. Such allocations are generally low as alternative sources or substitutes for these products can be found.

### **Several Factors Affect Trade**

A buyer's market for many U. S. commodities has developed in Europe, USDA reports. This has resulted from increased supplies in the home countries as well as in the U. S. and other areas.

Another development in Europe has been an increase in merchandising short cuts and efficiencies. An example of this is the practice of brokers pooling orders of several buyers so that the composite order is large enough to get benefits of cargo rates and large order prices. This has been true for such products as tallow and frozen concentrates.

Similarly, international grain dealers deliver cargoes of grain to the home ports of importers and then sell the grain in lots of a few hundred tons to cooperatives and other importers. This semi-wholesale practice has led to a substantial increase in the number of small grain and feed importers and to an increasing tendency on the part of some large consumer cooperatives to buy direct from U. S. importers rather than through European brokers.