



## Need to maintain foreign markets for agricultural products stressed by Eisenhower in message to Congress

PERHAPS NO SECTOR OF OUR ECONOMY has a greater stake in foreign trade than American agriculture." So said President Eisenhower in his message to Congress on foreign economic policy.

Pointing up his words are figures on exports of farm crops in the past few years. They show that we have been exporting 40% of our cotton and rice, more than 30% of our wheat, and about a quarter of all our tobacco and soybeans. Export markets also are important to producers of fresh and dried fruits, peas, milk, and many other products.

The period immediately following World War II was the high point for agricultural exports. Supplies of food in several countries were inadequate because of the ravages of war. Large foreign aid expenditures by the United States, however, enabled hungry nations to buy food. These two factors—lack of foreign production and extensive economic aid—added up to a lush period for the American exporter of agricultural commodities.

But this lush period has passed. The war-torn countries of Europe and Asia are back into normal production. Foreign aid has been reduced to a trickle. In addition, the shortage of dollars and the decline in foreign farm prices below levels at which crops are supported in the United States have contributed to the drop in agricultural exports.

Nevertheless, it is well to remember that the value of agricultural exports since 1945 has been equal to about one eighth of our cash farm income. These exports, in volume, account for the commodities produced on more than 40 million acres, which is about one tenth of America's cropland.

The actual amounts of agricultural commodities shipped to foreign countries since the end of World War II are about

the same as in most years between 1900 and 1930. After the depression, there was a sizable dip in exports until the war years. The monetary value of the exports, however, has been higher in recent years, reflecting the inflated prices paid for commodities.

While the amount of food being exported has held its own, agricultural exports have been taking a smaller proportion of total trade (see chart). Before the turn of the century, farm crops accounted for nearly 80% of the total exports. The large scale development of industry and the expanding domestic market for foodstuffs brought this figure down to its present 20% range.

### Conflict Between Farm, Trade Policies

Even though there seems to be no question that it is highly desirable to maintain foreign markets for our agricultural products, how this will be done in practice is not so clear. Intimately tied up with foreign trade is the basic question of subsidies and price supports.

The President's Commission on Foreign Economic Policy (Randall Commission) believes that it is necessary to harmonize our agricultural and foreign trade policies without sacrificing the sound objectives of either. These noble aims can be served by improving current farm policies which are in "obvious conflict" with trade policies which are vital to the entire economy, the commission feels.

The Randall group sees the present farm price support program as one of the stumbling blocks to freer trade. The program of supporting prices of selected commodities at 90% of parity holds domestic prices above prices in other parts of the world. As a conse-

quence, surpluses of these high priced crops are accumulated and foreign trade is hampered. To move the surpluses it usually is necessary to resort to some form of export subsidy. Another possible solution is to dump the commodities in foreign markets, a policy which is guaranteed to cause ill-feeling among the nations involved. On the other end of the scale, it may become necessary to apply trade restrictions, such as import quotas, to reduce commodity imports.

Such policies, according to the commission, would practically prevent agriculture from playing a major role in an expanding system of foreign trade. This would be a serious loss, not only to agriculture, but to our economy and to the productivity of the free world, the Randall group continues.

### Reconciling Both Policies

How can farm policy and foreign trade policy be reconciled? The President believes the commission was on the right track when it said the two elements should be harmonized without sacrificing either's sound objectives. This does not mean that the farm policy will be subordinated to the over-all trade policy.

As the first step in bringing together the farm and foreign trade programs, the commission says Congress and the Administration must develop a consistent pattern of policies and procedures which apply to both fields. Probably one of the first policies to be established would deal with surpluses.

In his farm message, the President said that foreign economic assistance and disaster relief are potential outlets for surpluses now on hand. Other projects, such as the school lunch program, will account for more of the current stockpile. These measures, however, are not enough, so some work will be done on developing foreign markets for the surpluses. The Department of Agriculture's project for developing markets both at home and abroad will be strengthened. In addition, a series of trade missions will be sent to Europe, Asia, and South America to explore the possibilities of expanding international trade.

The program of future surpluses will be alleviated by a program of flexible price supports, the President believes. Such a program should help to eliminate unbalanced farm production which has resulted from the present system of rigid price supports.

This program, it is pointed out, would not go into effect overnight. There would be a gradual adjustment to new circumstances and conditions. During the time of transition, it is hoped that procedures will be developed which will assure maximum markets for farm products.