

Trade Missions See Little Hope Now for Exports

More aggressive action by Government and industry needed to take advantage of factors encouraging for long range outlet

EXPORTS OF U. S. FARM PRODUCTS have declined by a third since 1951-52. And although foreign trade has always been an important factor to the prosperity of American agriculture, our farm products are now facing a crisis in the market places of the world.

To illustrate the dependence of agricultural prosperity on exports: In 1951 agricultural exports represented the crops harvested from about 53 million acres; in 1953 trade levels had dropped to the point where exports represented the output of about 30 million acres.

A continued reduction in the volume of agricultural exports, unless it can be offset by increased domestic demand, will have adverse affects not only on domestic agriculture but on many allied industries as well.

The decline in agricultural exports became apparent by the end of last year and President Eisenhower discussed the problem in his message to Congress on recommendations affecting the nation's

agriculture, January 11 of this year. At that time the President called for a series of trade missions to be sent to principal exports markets of American agricultural commodities. These missions, two to Europe, one to Asia, and one to South America returned to the U. S. the end of May and their report has recently been issued by the USDA. The missions were charged with exploring the possibilities of immediately expanding international trade in agricultural commodities.

The trade mission report cites a number of factors which have contributed to the decline in agricultural exports. One of the major developments in overseas market areas is the trend toward national self-sufficiency in agriculture. Many foreign nations have national programs aimed at increasing their own domestic food production to free themselves from dependence upon U. S. and other sources. These programs seem to be stimulated by shortages in dollar exchange coupled with relatively recent

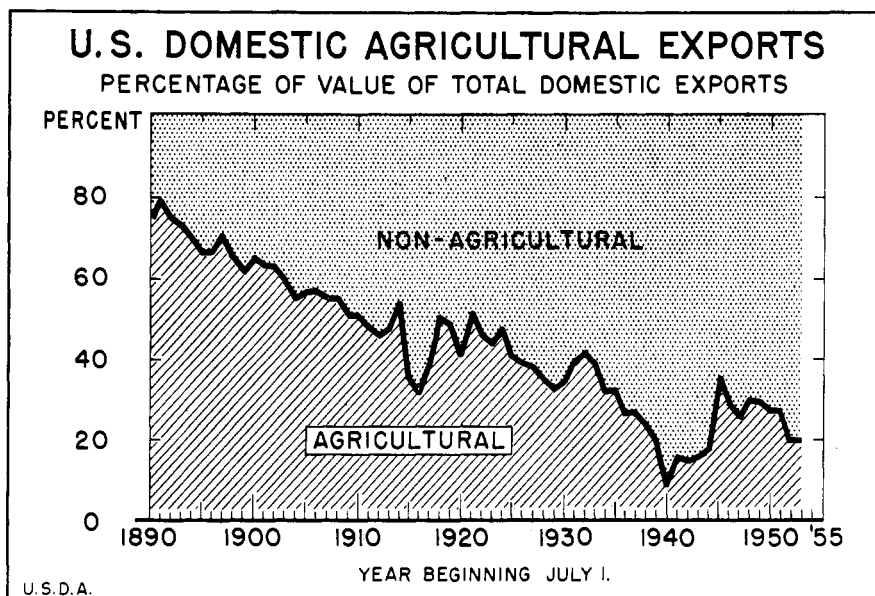
experiences of shortages and rationing as a result of disrupted supplies during the war and immediate postwar years.

The trend toward agricultural self-sufficiency has been accompanied by an over-all increase in agricultural productivity. Present world agricultural production is estimated to be at about 115% of the prewar level. On a world level, population has generally been matched by food production. Potential areas for U. S. trade have increased their food production at a greater rate than their population. This means that many of our potential customers now have more food available than they did before the war. Despite these increases however, the per capita food production in most foreign countries is still very low. It is undoubtedly true that the vast majority of the people of the world could very easily eat more food if they could get it.

Dollar Shortage

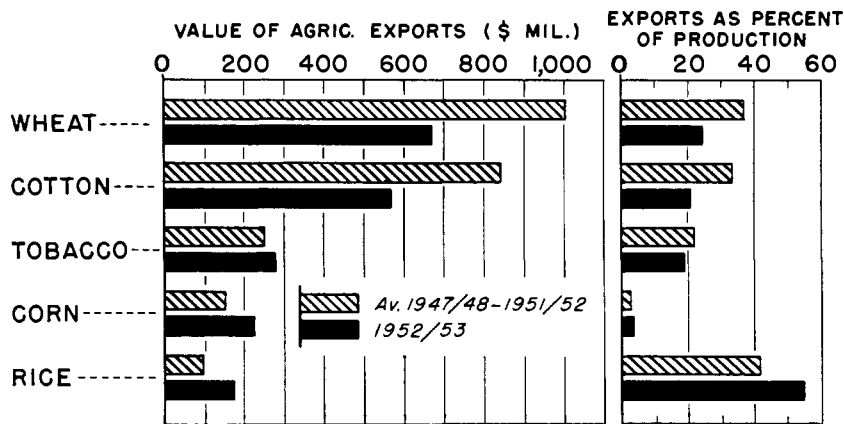
The dollar problem is a major factor affecting U. S. export trade. Dollar shortages still exist in many overseas areas; these shortages are especially prevalent in the best potential markets. Many nations have adopted strong import restrictions to limit the purchases of U. S. goods to those which cannot be obtained elsewhere. These nations realize that they cannot afford to maintain balances of trade in which their imports of U. S. products exceed greatly their exports to this country. For this reason many of these nations seem determined to restrict their U. S. purchases to items which cannot be obtained elsewhere, machinery and other products of American factories take precedence in this situation over agricultural commodities which can be obtained from a number of different agricultural nations.

It is quite possible that the previous high levels of exports of agricultural products were unrealistic as indications of potential markets. Immediately after the recent war large volume exports of agricultural commodities were made to war damaged areas and financed by our various foreign aid programs. American aid programs financed up to 60% of our postwar agricultural exports. With the



U.S. AGRICULTURAL EXPORTS

AVERAGE 1947/48-1951/52 AND 1952/53



recovery of productive capacity in these former export areas, nations which previously were consumers have become more selective with their dollar spending. This tendency has become rather general especially in Europe and has resulted in a number of bilateral trade agreements, from which the U. S. has been excluded.

OEEC (Organization for European Economic Cooperation) is basically a Western European regional trade program with the objective of fostering inter-European trade, not necessarily at the expense of American production, but with the result that commodities produced in Europe are imported and exported between various European countries which do not desire to use up dollar reserves. The European Payments Union is another development which has been somewhat stimulated by the widespread dollar shortages. These regional trade agreements have had a positive effect on production and trade within the European countries but have also depressed the demand for American goods.

Prejudices Against U. S. Products

In addition to the economic problems of imports there are a variety of fears or prejudices which seem to be relatively widespread concerning U. S. agricultural products.

The huge surplus stocks of American commodities are no longer regarded by Europeans and others as symbols of American productivity and food for the world, rather they see them as a potential threat to their own agricultural prosperity. A number of countries seem to fear that the U. S. will dump its surplus commodities on the world markets.

This fear of surpluses extends to suspicion of the current MSA program for the disposition of surplus commodities abroad. The MSA program under section 550 of the Mutual Security Act authorizes the sale of American surpluses overseas in exchange for the currency of

the importing country. The local currency is then used to finance U. S. sponsored aid programs. The 550 program is intended to surmount the dollar hurdle for those nations which desire U. S. farm commodities. However, the program has met a rather mixed reception overseas for there seems to be concern that these U. S. surpluses will disrupt local and regional patterns of trade.

High prices have also been a factor against agricultural exports. The U. S. farm price support program has resulted in raising the export price of such commodities as wheat, dairy products, meat, and lard to such a level that they cannot compete with farm output from other nations. Another factor in the price program is that other nations which subsidize agricultural commodities extend this subsidy to agricultural exports.

In some foreign nations the governments subsidize agricultural crops at a higher level than that paid by the U. S. Government to our farmers. However,

these nations subsidize their exports to importing countries to such an extent that their prices are lower than those of the U. S. exporters.

Outlook Is Not Encouraging

The report of the foreign trade missions observes that "if the present policies and practices in the United States and in foreign countries are continued, the prospects of appreciably increasing the volume of agricultural exports in the immediate future are not favorable." However, the report does contain a list of recommendations for improving the long range export situation.

There seems to have been a noticeable recovery of the economies of many foreign countries, principally in Europe. As these countries improve their own domestic economies there will be opportunities for relaxing restrictions on U. S. dollar imports. There has been a marked improvement in gold and dollar reserves of many foreign nations. These reserves can only be built up by the foreign nations selling to the U. S. With the build up in dollar reserves a liberalization on trading in some agricultural products with dollar areas has occurred.

The council of ministers of OEEC has expressed an intent to liberalize restrictions on members of the organization regarding imports from the dollar area.

To take advantage of the gradual improvement in the situation our Government may take more positive measures to encourage trade in farm products.

Conditions for the reestablishment of multilateral trade between the U. S. and foreign nations are probably the best they have been in the postwar period. However, international trade can only be established on a two-way street and if we seriously desire export markets for our farm products we must in turn provide export markets in our own country for those with whom we desire to trade.

