Foreign trade in agriculture, vital to stability of the domestic market, will have key part in new trade policy

HIGHLIGHTING PRESIDENT EISENHOWER's message to the new Congress will be a section on foreign trade. The President again is expected to press for a more liberal trade policy. Agriculture has a vital interest in any trade policy that is worked out, because foreign outlets traditionally have helped to maintain fair prices for farm products.

Trade in agricultural goods is still in a period of adjustment. Record production during the recent war and postwar years was siphoned off by foreign markets. But now these markets are not available, since most countries have been able to restore or even increase their own farm output beyond prewar levels.

Some experts place the blame for the Government's hoard of surplus commodities squarely on the sharp cuts in exports, coupled with an inability to adjust domestic production to meet this change. The best year for foreign trade was during the 1951–52 marketing year when agricultural exports reached $4 billion. This was seven times the pre-World War II level.

The currency situation also has had an effect on agricultural trade. When foreign countries were receiving food as part of United States aid, there was no problem. But after these countries were able to pay for these products, currency convertibility became important. Since most of the countries were short of dollars, they turned from the U. S. to other suppliers who would accept the so-called "soft" currencies.

Since then, however, agricultural exports have fallen off about 30%. At the same time farm production has been maintained close to the record level. One factor in the farmer's slowness in cutting production has been the high cost of modern farming. This high fixed cost restricts crop "mobility" and tends to keep plantings high.

Butz believes the United States should show its determination to market farm products "in accordance with fair and competitive businesslike principles." The responsibilities of marketing must be removed from government and returned to the business world in the future, he feels. In carrying out this program, the U. S. must put its agricultural house in order.

Then if we cannot sell farm surpluses, why not give them away abroad? Even disposing of excess commodities by giving them to underprivileged and undernourished nations has its problems. Care must be taken not to upset delicate world markets or to scuttle world prices.

During some years, the U. S. deliberately has held back some commodities from the world market. This was done to enable other countries producing these commodities to sell their crops, thereby helping to maintain price stability. If world prices tumbled, America would have a difficult time maintaining farm prices at home, which in turn would have affected our entire economy.

Expanding Foreign Outlets

John H. Davis of Harvard University, former Assistant Secretary of Agriculture, has suggested two ways of expanding foreign trade: (1) promoting sales through normal trade channels at fair prices, and (2) promoting exports over and above normal amounts by accepting local currencies.

The sales approach may not be easy. As in other fields agriculture has been used to a sellers market for more than a decade, so it hasn't had to push foreign sales too hard. Any group setting out to sell to foreign nations will probably have to train new men and develop foreign contacts before it could attempt its selling program.

Tied in with the second method of expanding trade is the necessity of increasing total food consumption in foreign countries. This cannot be done entirely by the U. S. but must follow each country's economic growth and development. Some of the local currencies would be plowed back into the country to develop resources, increase purchasing power, and improve the standard of living. Such a policy not only helps the country but also creates continuing markets.

Mr. Davis does not suggest that a single set of plans could be used in all cases. He says that the problem of expanding exports of farm products has to be approached on a commodity-by-commodity and a country-by-country basis. There is no simple formula that can be followed because many factors influence trade in any particular commodity.

Government Can Help

The burden of increasing foreign trade will fall chiefly to private exporters in the long run. But Government can help in several ways. One of the best ways, says Assistant Secretary of Agriculture Earl L. Butz, is to pave the way for an exporter through the maze of import duties, currency controls, bilateral agreements, and the like which are now so much a part of world trade. In most cases, he points out, there is little private industry can do about these things on its own.

Another way the Government can help is by assisting in the transactions between the American exporter and the foreign importer. The Foreign Agricultural Service, the agricultural attachés, and the marketing specialists maintained by the Department of Agriculture can help in closing deals for farm products. These groups can encourage foreign importers to buy and can point out the merits of American commodities.

The Government also can provide information that is highly valuable in foreign trade. Agricultural trade missions and marketing experts abroad can get on-the-spot information on foreign production, competition, and marketing opportunities.

To be successful, this program must have the support of private exporters. These exporters must maintain a reputation for good quality, service, and price if the trade program is to expand.

One factor in favor of expanded world trade is the increasing world population. There are about 15% more people to feed now than there were before World War II. This trend is expected to continue, so there will be new markets for American food products developing in the future. Agricultural production in other countries is expected to level off, so if living standards are to be maintained, foreign nations will have to look to the U. S. for help.