Expansion of agricultural exports has been a major objective of our overall farm program in recent years. By and large, we have made progress in reaching our goal. Taking into account the many problems and limitations that have beset our path, we can all look with a great deal of pride and satisfaction upon the successes we have had to date.

Last fiscal year the volume of farm products moved into overseas markets set a new record.

On a value basis, agricultural exports totaled $4.5 billion--close to the record $4.7 billion in fiscal 1957.

In total, we are exporting the annual production of about 57 million acres. To visualize what this means, let us say that it is as though we were to export somewhat more than the entire harvested output of Minnesota, Iowa, and Missouri.

We have had a wide variety of tools to use as foreign market "wideners". Their names by this time are well-established in the lexicon of agriculture--promotion of commercial exports; shipments under the special government programs authorized by Public Law 480--sales for foreign currencies, barter, credit, and outright donations--as well as the economic assistance programs carried on under the Mutual Security Act. Less well-known, but highly important, are the "agricultural intelligence" activities based on the Department's far-flung attache system. We are going into these programs in greater detail later on. First, however, let's discuss overall United States trade policy.

U. S. TRADE POLICY AND GATT

U. S. trade policy, in its simplest terms, encourages expanded world trade on a multilateral, non-discriminatory basis, principally through operation of the U. S. Trade Agreements Program. It is a liberal trade policy. It involves the complex of legislation by which Congress has granted the President power to enter into trade agreements and to negotiate reciprocal reduction in U. S. import duties. It also includes the administrative structure created by the President to put into effect the authority granted him.

It is under the Trade Agreements Program that the United States takes part in the General Agreement on Tariffs and Trade (GATT). By any standard, GATT is a highly significant compact. Thirty-seven nations adhere to it; most of the world's trade moves under its rules. Therefore, those rules are well worth remembering. As written out in the cold prose of the Agreement, the many rules seem complex. Actually, however, they can be reduced to a few fundamentals. The basic rules of GATT, at least for the purposes of this paper, may be expressed as follows:
(1) The only legitimate trade barrier, consciously applied as a trade barrier, is the import or export duty. This rule amounts to a prohibition on all forms of non-tariff barriers designed to protect domestic industry. It does not, however, outlaw sanitary or marking regulations, customs practices, and the like when used for their legitimate purpose, despite the fact that these have some incidental protective effect. There are exceptions to this rather severe rule, of course.

(2) Import duties are subject to reduction or binding through negotiation. This does not mean that every contracting party must be prepared to reduce every duty upon request, but it does mean acceptance of the principle of negotiated reduction. Under this rule the contracting parties have entered four major tariff negotiating conferences and are preparing to enter a fifth.

(3) Trade barriers are to be applied in a manner which does not favor one contracting party over another. This is the most-favored-nation rule. There are in GATT some exceptions to this rule, also. The principal ones accommodate the several tariff preference systems which were in existence when GATT was developed, countries in balance-of-payments difficulties, and countries which form free trade areas and customs unions.

(4) Commodities should be free of subsidies which materially interfere with traditional trade patterns. GATT provides that if a subsidy is used by a country to increase exports or decrease imports, that country must report the subsidy to the other contracting parties with a statement showing why the subsidy is necessary and an estimate of its effect upon trade. Export subsidies on primary products must not be applied in a manner which results in the subsidizing country having more than an equitable share in the world trade in that product. Export subsidies on non-primary products shall not extend beyond the scope of subsidization existing on January 1, 1955.

There are a number of exceptions, both permanent and temporary, to these basic rules. The more familiar, certainly, are those which deal with injury to domestic industry (the escape clause), balance-of-payments difficulties, and the procedure by which the contracting parties acting jointly in exceptional circumstances can waive any obligation in the Agreement. There are also exceptions for governmental assistance to industry and agriculture in underdeveloped countries, for actions required for national security reasons, and for agriculture under certain circumstances.

Under the agricultural exception, a GATT contracting party is allowed to impose import restrictions on agricultural or fishery products if like domestic products are subject to restrictive production or marketing controls. For example, wheat, cotton, and peanut production controls in the United States provide a basis for non-tariff import restrictions.

These are the basic international trade rules under which domestic import and export programs of the United States and any other contracting party must operate. As with other trade agreements, of course, direct representation to the country concerned,
through normal diplomatic channels, remains the primary method for the protection of interests. The GATT contracting parties, however, provide a forum to which a contracting party can turn if normal diplomatic representation is not fruitful of results.

The contracting parties cannot impose an adverse decision upon another contracting party. The Agreement is not coercive in this respect. They can, however, authorize retaliatory action by contracting parties who believe any benefits accruing to them under the Agreement are being impaired by actions of another party to it. In any event, the contracting parties help police the Agreement; they can, and do, hold up for the scrutiny of all other contracting parties, and the world, actions which violate the code of trading practices to which these countries have subscribed. This process unquestionably has a decided influence on the international trade practices of all member countries, including the United States. You can be sure that both our export and import programs undergo careful scrutiny in this international forum.

The United States, in turn, scrutinizes actions of other countries. For example, the United States has tried to bring about a more strict conformity to the GATT rule prohibiting quantitative restrictions as an import barrier. A number of countries had been justifying the retention of such restrictions under the exception for balance-of-payments difficulties. Substantial increase in gold and foreign exchange reserves by many countries and the action of 14 Western European countries to make their currency convertible on external account, however, prompted the United States at recent sessions of GATT to point out that financial justification no longer exists for such quantitative import restrictions, and that they should be removed as rapidly as possible. This action, of course, was only part of the overall U. S. effort to obtain the elimination of unjustifiable restrictions against its export commodities.

A number of important trading countries have taken significant steps towards eliminating restrictions against the dollar area for both industrial and agricultural commodities. For our part, we will continue to press for further liberalization of agricultural products. It is in this area that progress has been relatively slow. Trade liberalization is a must if we are to expand exports. No amount of promotion will be effective if, through quotas, embargoes, and other restrictive measures, U. S. farm products are not given a chance to compete in foreign markets.

EXPORT PROGRAMS

As mentioned earlier, the Department uses a wide variety of programs in expanding exports. A brief description of each of these programs, with some indication of the value of exports involved, where applicable, is included here as essential background to this paper.
CCC Export Sales

The Commodity Credit Corporation offers its stocks for export at prices reduced to the extent necessary to make them competitive in world markets. These stocks are offered on a competitive bid basis. CCC stocks of wheat, feedgrains, rice, and upland cotton are made available under the payment-in-kind program. Whatever the method used, the CCC sales programs are basic to the current level of agricultural exports.

CCC initiated the payment-in-kind program for wheat in fiscal 1957, corn and cotton in fiscal 1958, and extended it to other feedgrains and rice during fiscal 1959. The payment-in-kind program is designed to maximize movement of commodities from commercial sources into export. Competitive pricing of CCC-owned wheat for export for other than International Wheat Agreement sales began in fiscal 1954. Competitive pricing of upland cotton for export began in 1957.

Competitive pricing authority given CCC is a key factor in administration of sales for foreign currencies and barter, both of which are mentioned below.

Title I, Public Law 480

The Agricultural Trade Development and Assistance Act of 1954, as amended, commonly referred to as Public Law 480, has as its principal purpose the constructive use of the agricultural surpluses of the United States.

Title I of the Act authorizes the President to carry out a program for the sale of surplus agricultural commodities for foreign currencies under agreements with friendly nations or organizations of friendly nations.

In negotiating Title I agreements, the President is required to (1) take reasonable precautions to safeguard U. S. usual marketings and assure that such sales will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries; (2) assure the use of private trade channels to the maximum extent practicable; (3) use the program to develop and expand continuous market demand abroad for agricultural commodities with appropriate emphasis on underdeveloped and new market areas; (4) secure commitments that the commodities sold for foreign currencies will not be resold or re-exported except with specific approval; and (5) afford any friendly nation maximum opportunity to purchase U. S. surplus agricultural commodities taking into consideration the objectives of the law and to make effective use of the foreign currencies received.

The Act provides that CCC funds shall be used to finance the sales and authorizes appropriations to reimburse CCC for its costs, including the acquisition cost of price support commodities from CCC stocks which may be shipped under the program. CCC requests an appropriation annually to obtain reimbursement for program costs.
Authorizations to date are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 10, 1954</td>
<td>$700 million</td>
<td>3 years</td>
</tr>
<tr>
<td>August 12, 1955</td>
<td>Increase to $1.5 billion</td>
<td>No change</td>
</tr>
<tr>
<td>August 3, 1956</td>
<td>Increase to $3.0 billion</td>
<td>No change</td>
</tr>
<tr>
<td>August 13, 1957</td>
<td>Increase to $4.0 billion</td>
<td>Extended 1 year</td>
</tr>
<tr>
<td>September 6, 1958</td>
<td>Increase to $6.25 billion</td>
<td>Extended 1 1/2 years</td>
</tr>
<tr>
<td>September 21, 1959</td>
<td>Increase to $9.25 billion</td>
<td>Extended 2 years through 12/31/61</td>
</tr>
</tbody>
</table>

Through June 30, 1960, agreements with 38 countries committed about $6.8 billion at cost to CCC and $4.8 billion at export market value. Both figures include $515 million which CCC has paid or expects to pay in ocean freight costs on U. S.-flag vessels required to be used by cargo preference legislation.

Through June 30, 1960, exports were $3.6 billion or 84 percent of the export market value of the commodities included in agreements. Major commodity quantities are:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>Agreement Quantities</th>
<th>Exported Quantities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat/wheat flour</td>
<td>bushel</td>
<td>1,286 (Million)</td>
<td>1,033 (Million)</td>
</tr>
<tr>
<td>Feedgrains</td>
<td>bushel</td>
<td>250</td>
<td>235</td>
</tr>
<tr>
<td>Rice</td>
<td>cwt.</td>
<td>46.2 (Million)</td>
<td>39.5</td>
</tr>
<tr>
<td>Cotton</td>
<td>bale</td>
<td>4.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Fats and oils</td>
<td>pound</td>
<td>4,200 (Million)</td>
<td>3,600 (Million)</td>
</tr>
<tr>
<td>Tobacco</td>
<td>pound</td>
<td>281</td>
<td>255</td>
</tr>
<tr>
<td>Dairy products</td>
<td>pound</td>
<td>264</td>
<td>245</td>
</tr>
</tbody>
</table>

During fiscal 1960, 37 agreements with 18 countries committed more than $1.7 billion at cost to CCC and more than $1.1 billion at export market value. Both figures include about $140 million for ocean freight.

Besides the commodity composition, the currency use is a major consideration of these agreements. The United States attempts to obtain maximum dollar return to CCC from sales of foreign currencies to other government agencies for (1) embassy expenses, (2) procurement of housing for military dependent personnel, and (3) other U. S. programs.

1/ Includes quantities to be financed during only the first year of the 4-year agreement with India signed on May 4, 1960.
More than 45 percent of the currencies under existing agreements are reserved for loans to foreign governments for economic development projects. In some cases additional amounts are granted for the same purpose. Many agreements since 1958 provide that up to 25 percent may be loaned to private business firms. In certain Mutual Security countries, substantial amounts are used for common defense purposes. Currencies are also used for such U.S. programs as agricultural market development and educational exchange and informational programs; only the foreign currencies earmarked for foreign market development are administered by the Department.

**Mutual Security Act**

Section 402 of the Mutual Security Act of 1954, as amended, requires that not less than $175 million (at this level since 1958) be used to finance the export sale of surplus agricultural commodities for foreign currencies. The foreign currency proceeds are used to further the objectives of the Mutual Security program. (The program is administered by the International Cooperation Administration.)

In fiscal 1958, sales of $154 million were made directly to countries receiving U.S. assistance. Triangular transactions were worked out in the amount of $51 million through sales of grain, cotton, and tobacco to Austria, Belgium, France, Italy, and Germany—countries which do not receive economic assistance under the Mutual Security program. Such sales were financed by dollar funds programmed for Spain, Morocco, Tunisia, Greece, Pakistan, Korea, and Viet Nam. The local currency proceeds of these sales are being used to finance purchases of industrial equipment and other goods needed for assistance to the countries for which the dollar funds were programmed. Actual export sales during fiscal 1960 amounted to $177 million, of which $134 million was in direct sales and $43 million in triangular trade.

**Title II, Public Law 480**

Title II provides that CCC-owned commodities may be used for emergency assistance to needy peoples in foreign countries to meet urgent or extraordinary relief requirements. The program also may be used (until June 30, 1961) to promote economic development in newly developing areas.

To the maximum extent possible, commodities are distributed free and identified as gifts of the American people. Permission may be granted for their sale in the receiving country to raise funds for relief or economic development projects.

Programs are usually undertaken on a government-to-government basis but may be carried out in cooperation with voluntary agencies. Most programs have been for disaster relief where food and feed were needed to alleviate suffering resulting from floods, drought, hurricane, and other calamities. Commodities also have been provided for part payment of work relief wages where emergencies created unemployment problems, feeding refugees and escapees to alleviate social unrest, and expansion of school lunch programs.
In the six years ending June 30, 1960, $501 million worth of commodities at CCC cost was authorized for Title II, mostly grain and nonfat dry milk. During fiscal 1960, $65 million worth of commodities was made available under the program.

Title III, Foreign Donations (Section 416 Agricultural Act 1949)

Title III of Public Law 480 authorizes donations of CCC surpluses to needy persons in friendly foreign countries. Distribution is made through voluntary relief agencies of the United States and to inter-governmental organizations which are responsible for final distribution to eligible recipients. All commodities are identified as donations from the people of the United States. Special emphasis is placed on programs that are supplementary to the health, welfare, or social programs of the recipient country.

Usual categories of recipients include maternal and child welfare centers, health centers, school lunch programs, institutions such as homes for the aged, blind, and orphans, needy families, and refugees.

Commodities donated include dried eggs, butter, nonfat dry milk, cheese, potatoes, vegetable oils, shortening, beans, corn, rice, wheat, corn meal, and wheat flour. Fiscal 1961 programs include corn, wheat, corn meal, wheat flour, rice, and nonfat dry milk.

Since the inception of the program early in 1950, approximately 9.6 billion pounds of surplus commodities valued at $1.52 billion at CCC cost have been donated to 32 agencies operating in 114 countries and territories. During fiscal 1960, donations valued at $128 million (CCC cost) were distributed by 21 agencies to over 60 million persons in 92 countries and territories.

Title III, Public Law 480, Barter Program

The barter program is conducted by CCC under several legislative authorities. Emphasis was given to the program by Title III of Public Law 480 and later amendments.

The program, as modified in November 1958, now provides that in exporting agricultural commodities the national interest of the United States will not be adversely affected, usual U. S. marketings will be safeguarded, and undue disruption of world prices or replacement of cash sales for dollars will not occur. The Department of State is consulted in cases where the normal commercial trade of friendly countries may be affected.

Under this program, a given value of surplus agricultural commodities at established export prices is exchanged for (1) an equal value of strategic or other materials produced abroad, (2) for materials required in off-shore construction programs of the U. S. Government, or (3) for materials required in foreign economic and
military aid and assistance programs of the United States. The great bulk of barter transactions are for strategic or other materials produced abroad which have been designated as eligible under the barter program and which are placed in the U. S. supplemental stockpile.

Wheat, cotton, and feedgrains have been the major commodities moved under the program. The value of barter exports in recent fiscal years was about as follows: 1956, $300 million; 1957, $400 million; 1958, $100 million; 1959, $130 million; and 1960, $150 million.

Title IV, Public Law 480

Title IV provides for long-term supply and credit sales of surplus agricultural commodities. Major objectives of this title are the use of the agricultural commodities and the financial resources provided through the extension of long-term dollar credits to assist in the economic development of other friendly countries, and to expand or maintain U. S. dollar exports to such countries.

Under Title IV, the U. S. government may enter into agreements with governments of friendly nations for delivery of surplus agricultural commodities for periods up to 10 years. Dollar payment, with interest, for commodities delivered is required to be made in approximately equal annual amounts. Credit periods of up to 20 years are authorized. The maximum interest rate which may be charged is the cost of funds to the U. S. Treasury. It is expected that the sales arrangements under this title generally will be based on shorter supply and credit periods.

Several countries have been selected as "pilot" countries on the basis of their representative geographic positions, current trends in imports of U. S. agricultural commodities, possibilities of demonstrating the utility of Title IV dollar credit sales approach in maintaining or expanding U. S. dollar exports through longer term supply commitments, opening up new markets for certain agricultural commodities, and other factors. Progress is being made with "pilot" countries, but no agreements have been concluded to date.

CCC Export Credit Sales Program

Commodity Credit Corporation stocks and tobacco under loan to CCC are eligible for CCC export credit for periods up to three years. CCC requires assurance from a U. S. bank that the sales value of the commodity and the interest will be paid when due.

The program works through the private trade and is designed to promote exports by extension of credit to U. S. exporters who in turn pass on the deferred payment benefits to foreign importers. Since the payment-in-kind programs were initiated, certain restrictions have been applied to credit sales of wheat and feed grains to insure that they will not adversely affect the objectives of the payment-in-kind programs. Wheat credit transactions, where the credit period is longer than
six months, are closely scrutinized to see that there is no undue interference with
exports of friendly competing countries.

A total of 207 credit approvals had been granted as of August 31, 1960, cover-
ing tobacco, wheat, cotton, dry milk, dry edible beans, rice, oats, corn, grain
sorghums, and barley for a total dollar purchase value of about $91 million. Principal
commodities and approximate values are: corn, $34.9 million; grain sorghums, $13.3
million; wheat, $24 million; tobacco, $3.1 million; rice, $2.3 million; and beans,
$2.5 million.

Export-Import Bank Credit

The Export-Import Bank of Washington extends short term credits to finance
exports of surplus agricultural commodities where such credit is not available from
normal commercial sources. Unlike CCC credit, this credit is extended directly to
foreign importers, foreign banks, or in some cases, foreign governments.

During fiscal 1958, Japan and Austria imported $110 million and $12 million
worth of U. S. cotton, respectively, with financing provided under the terms of the
program. The Bank also financed exports of wheat, barley, and soybeans to Japan
during 1958 in the approximate amounts of $35 million, $12 million, and $16 million,
respectively.

Credits for $60 million and $6 million for cotton were granted to Japan and
Austria, respectively, in fiscal 1959. During fiscal 1960, the Bank authorized
credits totaling $70 million to finance the export of U. S. cotton to Japan.

Foreign Market Development

One aspect of foreign market development work is market promotion. This
is going forward in about 50 countries, in close cooperation with about 60 agricul-
tural and trade groups. Foreign market promotion covers many activities. It in-
cludes exhibits and demonstrations, product introduction, surveys and studies of
market potential, publicity and advertising, nutrition and sanitation, education,
exchange of management and technical personnel, technical assistance, and sales
training. The Department works closely with agricultural industry in participating
in international trade fairs. At the British Food Fair in London last September, for
example, a third of a million consumers learned more about U. S. food products.
This was followed by a similar exhibit in Munich, Germany, which also presented
a broad array of U. S. farm products to potential new customers.

Another aspect of the development program is utilization research. It is
designed to develop new and improved uses of U. S. agricultural commodities and
hence contribute to expansion of markets.
Since 1957, a total of 53 grants valued at approximately $4.5 million equivalent has been made to research institutions in Israel, Finland, France, Italy, Spain, Poland, and the United Kingdom. Currently 21 research proposals are also under consideration for grants in India, Indonesia, Brazil, Colombia, and Uruguay for a total value of approximately $1.5 million.

Grants under the program are made to institutions which can provide trained personnel with specialized experience and have adequate laboratory space and other facilities necessary to conduct the proposed research. They are non-profit institutions of higher education or non-profit organizations whose primary purpose is the conduct of scientific research. Grants are made directly to the institutions that are to undertake the research project and are made for periods up to five years.

Since the currencies to finance these promotional and research programs accrue mainly in underdeveloped countries (from Title I sales agreements) a procedure is used for converting some of these currencies to the countries where market promotion promises the greatest potential and where research facilities are the most advanced.

Agricultural Intelligence

The Department of Agriculture is promoting marketing in other ways.

For one thing, the Department is carrying on a comprehensive program of "agricultural intelligence". This consists of facts and figures on foreign production, consumption, crop conditions, exports, imports, tariffs, and the like. The information comes from agricultural attaches, stationed in 54 posts throughout the world, and from surveys and analyses by marketing and area specialists. This information is issued in a wide variety of publications which are available to anybody in a position to use them. It provides a background for American agricultural participation in world marketing operations in an informed manner.

FOOD FOR PEACE

The concept of the special export programs has been significantly broadened under the President's Food for Peace program. About two years ago, the President said:

"I am setting steps in motion to explore anew with other surplus-producing nations all practical means of utilizing the various agricultural surpluses of each in the interest of reinforcing peace and the well-being of friendly peoples throughout the world—in short; using food for peace."

In keeping with the spirit of the President's message, we are building upward and outward from the substantial foundation of existing programs of which Public Law 480 is the cornerstone. We are closely examining the work already in progress. We are trying to develop improved and new approaches. We have enlisted the participation of other countries.
In getting the participation of other countries, we started with the most burdensome food commodity, wheat. As you know, a series of meetings were held with the major wheat-exporting nations: Canada, Australia, Argentina and France, with FAO in observer-adviser capacity. Together we organized a Wheat Utilization Committee which has been meeting periodically.

It is particularly gratifying that these consultations with other wheat exporters have greatly improved their understanding of our export objectives. The complaints of a few years ago that the United States was engaged in a worldwide dumping operation have largely subsided and have been replaced by an increasing number of statements commending U. S. efforts to insure that food is moved to people in need without endangering established world commerce.

Agricultural Exports

For the fiscal year that ended June 30, the volume of U. S. agricultural exports reached an alltime high--29 percent above 1959 and 3 percent above the previous record in 1957. Exports of several major commodities payable in dollars (some moving under export payments) accounted for nearly all of the rise to the new peak; exports under specified government financed programs increased only slightly.

As mentioned earlier, the value of agricultural exports totaled $4.5 billion, 22 percent more than last year and $200 million less than the record of $4.7 billion in 1957 when volume and value of exports were accelerated by the Suez crisis.

Last year commercial dollar sales, including those receiving CCC payments in cash or kind, reached $3.2 billion or 71 percent of the total. The remaining 29 percent moved out under special programs, mainly Public Law 480.

A complete breakdown of 1959-60 exports by programs and by export payments is shown in the attached table. In all, an estimated $2.2 billion worth out of the $4.5 billion moved under CCC payments in cash or kind costing about $618 million. (This figure excludes donations valued at about $172 million.) Thus, excluding donations, government payments equalled about 15 percent of the value of the products exported. Most of this applied to wheat, $269 million; cotton, $265 million; rice, $41 million; feedgrains, $23 million; and dairy products, $16 million; with limited payments on a few other commodities. Of the $2.2 billion, $0.9 billion worth was exported under Public Law 480 and the Mutual Security Act, and $1.3 billion worth as "dollar sales". Approximately 20 percent of the wheat was exported last year under the International Wheat Agreement. Prior to 1954, government payments on wheat exports were designed specifically to enable the United States to meet its obligation to member importers under this Agreement.

Incidentally, this is the first time that the export picture has been presented in this particular form and detail. We believe it provides you with all the pertinent statistical information needed to analyze our agriculture exports from the standpoint of programs for the past year.
All time export highs were reached for feedgrains, soybeans, soybean and cottonseed oil combined, dried beans, tallow, poultry meat, and variety meats.

Of the $800 million gain in exports over last year, cotton accounted for some 50 percent; vegetable oils and oilseeds, 15 percent; wheat and flour, 12 percent; animal and animal products, 6 percent; with the remainder made up of fruits, vegetables and preparations, rice, and other miscellaneous commodities.

U. S. exports of cotton, excluding linters, were 6.6 million running bales (7.2 million for the crop year) the second highest in over a quarter-century and more than twice the 3.1 million of a year earlier. Developments contributing to the gain in cotton exports were the rising consumption in major textile manufacturing countries, ample supplies of U. S. cotton at competitive world prices (export payments of 8 cents per pound), small exportable supplies in major foreign producing countries, and some inventory rebuilding in the major textile manufacturing countries.

Wheat and wheat flour exports of 512 million bushels were the second highest in history and 69 million larger than a year earlier. The gain reflected larger shipments under Title I of Public Law 480, which rose from 231 million bushels in 1959 to 301 million in 1960.

Exports of rice increased substantially in spite of the continued upward trend in rice production in the Far East, where much U. S. rice has moved in some recent years under government programs. Title I sales accounted for over half of last year's rice exports and were the main factor in attaining the second largest volume on record. Milled rice shipments of 20.2 million bags were 6 million bags more than in 1959.

Record feedgrain exports amounted to 12.2 million short tons compared with the previous year's 11.5 million. Shipments were made up of corn, 216 million bushels; barley, 114 million; oats, 43 million; and grain sorghums, 99 million.

Exports of unmanufactured tobacco totaled 457 million pounds, 16 million pounds below the 473 million of a year earlier. Contributing to the decline were the continuation of foreign trade barriers against U. S. leaf, the higher price for U. S. leaf compared with similar foreign growths, and the record 1960 tobacco crop in Rhodesia. However, the large supplies of high-quality tobacco in the United States and a steady rise in cigarette consumption abroad have helped maintain U. S. exports at high levels.

Exports of soybeans rose from 103 million bushels to 133 million (crop year totaled 142 million). The record showing was encouraged by strong foreign demand for protein oilseed cakes and meals the summer and fall of 1959, large exportable supplies of U. S. soybeans at competitive world prices, and reduced foreign supplies of other oilseeds and oils. Combined shipments of cottonseed oil and soybean oil increased from 1,080 million to 1,601 million pounds. This alltime high for edible oils represented larger dollar sales; exports under government programs remained about the same as in the previous year.
Exports of fruits and vegetables increased materially. More apples, oranges, dried prunes, raisins, canned fruits, and dried peas and beans were shipped abroad. Exports of fruits and vegetables were stimulated by ample U. S. supplies, prosperous conditions in Western Europe, and some dollar trade liberalization. The record exports of beans and heavy exports of peas mainly reflected reduced crops in Europe and Latin America. Virtually all the above items were straight commercial sales at domestic market prices.

Exports of animals and products expanded considerably, totaling $583 million compared with $533 million the previous year. Shipments of lard, tallow, poultry meats, and variety meats were encouraged by ample U. S. supplies and relatively low prices.

Lard exports of 674 million pounds were the second largest since World War II. Increased hog slaughter resulted in plentiful supplies at reduced prices. In addition, shipment of most of the lard in bulk by tankers reduced the price in the foreign market by about 10 percent.

The record export volume for tallow was 1,569 million pounds compared with 1,116 million a year earlier. Larger exportable U. S. supplies at competitive prices reflected increased slaughter of cattle at heavier weights. About half of the domestic tallow output was marketed overseas.

There was a remarkable gain in exports of variety meats. Shipments in 1959-60 of 104 million pounds, a new record, were one-fourth larger than the 83 million of the previous year. Practically all of this amount was sold to Western Europe where demand continued strong.

Exports of 149 million pounds of poultry meat established fiscal 1960 as the best year ever, reflecting extensive market development work along with ample U. S. supplies at relatively low prices. Main foreign outlets were Western Europe, Venezuela, Canada, Mexico, and the Caribbean area. Slightly smaller exports of eggs were the result of increased competition from other major producing countries. As with fruits and vegetables, exports of livestock and livestock products were virtually all regular commercial transactions at domestic market prices.

**EXPORT OUTLOOK**

As you know from the Outlook Conference just concluded, another good export year is in prospect during 1960-61. Export volume is expected to equal or exceed last year’s record high. In value, we look for a repeat of last year’s $4.5 billion—second highest fiscal year value of record.

The foreign economic outlook favors an expansion in world agricultural trade. The step-up in economic activity, particularly in Western Europe, continues; gold and dollar holdings in most industrialized countries are at all-time highs; and further progress has been made in lowering trade barriers against American farm products.
"Dollar sales" will probably total about $3.1 billion in 1960-61, while sales under government-financed programs will very likely reach $1.4 billion.

Looking ahead over the next 10 years we expect agricultural exports at constant prices to increase about 15 percent from the record volume of fiscal year 1960. Although foreign production is expected to increase somewhat faster than population over these years, foreign consumption per capita of farm products likely will increase sufficiently so that the deficit in food and fiber outside the United States will be larger in 1970 than at present.

It is expected that export payments will be required to move wheat, rice, and cotton into foreign consumption throughout the 1960s. Feedgrains at certain times probably will move at domestic prices without export payments. However, at other times small payments may be needed to bridge the gap between domestic and somewhat lower world prices for feedgrains. All fats and oils should move into foreign consumption at domestic prices. A special export arrangement will be needed to move dairy products. All other commodities in export positions should not require export price assistance during the 1960s.

The projected magnitude of agricultural exports for 1965 is $4.7 billion and for 1970, about $5.2 billion. Within these forecasts, it is assumed that special government export programs will be in effect for wheat, rice, feedgrains, cotton, fats and oils, and dairy products. The division between sales for dollars and under government programs will depend upon a number of internal and external factors, but primarily on the rate of economic growth in the developing areas. Over the past six years, exports under government programs have averaged about 33 percent of total agricultural exports. The trend now is downward (29 percent in 1959-60) and this trend may well continue throughout the 1960s.

AGRICULTURAL IMPORTS

Although a heavy surplus producer, the United States maintains a reasonably liberal policy in respect to agricultural imports. To be sure, we have some import restrictions on certain price-supported commodities which are described below. But these restrictions have not been important factors in determining the course of world trade. By and large our market is open to all agricultural commodities which we would normally be expected to import or for which we have a history of imports.

Under this policy, the United States is the world's second largest importer of agricultural commodities, exceeded only by the United Kingdom. Agricultural imports reached a high of $5.1 billion in fiscal 1951, then declined to a post-Korean War low of $3.8 billion in 1957, and have since averaged $4 billion annually. Correspondingly, agriculture's share of total imports has also declined since 1951 reaching an alltime low of 26 percent in 1960. While the value has recently levelled off at $4 billion, a look at the longer period shows that the quantity of imports is far more stable from year to year than the value.
Over the years, two-fifths of our agricultural imports have supplemented the output of U. S. farms. However, in 1960 supplementary and complementary commodities each accounted for about 50 percent of total imports, with rising meat imports offsetting the value declines for coffee and some other complementary items.

The main supplementary items are sugar, grain, tobacco, cattle, meat, and apparel wool. These important imports have fluctuated with changes in domestic production, but the volume of trade in 1955-59 was practically unchanged from 1925-29. The volume of complementary imports has been held down because domestically produced industrial products have partially replaced imports of silk, rubber, and wool; this has about offset the increase accruing from larger imports of coffee, cocoa, tea, and bananas. Imports of these four commodities normally make up about 75 percent of the value of all complementary agricultural imports.

Latin America is our principal supplier of agricultural commodities, annually accounting for 50 percent of the import market. Coffee, sugar, cocoa, and bananas account for the bulk of these shipments. Asia ranks second and is the principal supplier of crude rubber and tea. In 1960, 20 percent of U. S. agricultural imports came from this area. The remaining areas—Europe, Africa, Oceania, and Canada—are of less importance and ship us a variety of supplementary and complementary commodities.

Section 22, Import Controls

It is well known that the United States, under the provisions of Section 22 of the Agricultural Adjustment Act, restricts the importation of some commodities. Section 22 has been in effect since August 24, 1935. It authorizes the control of imports whenever such imports render or tend to render ineffective or materially interfere with any price support or other programs or operations relating to agricultural commodities undertaken by the Department of Agriculture.

The Secretary of Agriculture, the U. S. Tariff Commission, and the President all participate in the proceedings which lead to the imposition of these controls. The Secretary initiates action by advising the President whenever he has reason to believe that imports are materially interfering with a Departmental program. If the President agrees that there is reason for this belief, he directs the U. S. Tariff Commission to make an immediate fact finding investigation and to report the facts to him, along with recommendations as to appropriate remedial action.

If the President then finds that controls are necessary, the law requires him to impose import quotas or fees in addition to existing tariffs. Import quotas cannot be established at less than 50 percent of the total quantity imported in a representative period, and fees cannot exceed 50 percent ad valorem. Controls imposed are under continuing review, and the law authorizes the President, after investigation, to suspend, terminate, or revoke any control whenever he finds changed circumstances warrant the action.
Currently, Section 22 controls are in effect for wheat and wheat products, cotton and cotton waste, rye and rye flour including meal, flaxseed and linseed oil, peanuts and peanut oil, tung nuts and tung oil, and certain manufactured dairy products.

It should be noted here particularly that the imposition of any quantitative import restriction by the United States involved an elaborate and carefully prescribed procedure including an investigation and public hearings by an independent agency, the Tariff Commission. It is not a case where the Secretary or even the President can reach a private decision and announce it next morning to unsuspecting trade interests. Foreign governments with trade interests are free to participate in the hearings. In actual practice, they make some of the strongest representations before the Commission. In contrast, we sometimes learn of foreign decrees affecting our exports only after the action is taken. Representations at this stage are much more difficult and generally less effective.

Earlier in this paper it was pointed out that the United States, as a contracting party to the GATT, has accepted a principle not to apply quantitative restrictions as a barrier to trade. Also, the United States, over the years, has negotiated under GATT rules certain specific tariff concessions upon which its Section 22 actions could infringe. How, then, do these Section 22 import restrictions square with GATT commitments?

In some cases, where U. S. domestic products are subject to restrictive production or marketing controls, the restrictive quotas fall within the scope of the agricultural exception to the no-non-tariff barrier principle. As we noted above, wheat, cotton, and peanuts are examples. Some of these controls, however, do not fall within this exception. Accordingly, some years ago the United States went before the GATT contracting parties to ask that they, acting jointly under the exceptional circumstances provision, waive the obligations of the United States to adhere to the GATT where it might conflict with its Section 22 actions.

The contracting parties granted the requested waiver subject to certain conditions designed to safeguard the rights of other Contracting Parties, and subject to the requirement that the United States report each year (1) the restrictions in effect under Section 22, (2) the reasons why such restrictions continue to be applied, and (3) any steps it has taken toward solving the problem of surpluses of agricultural commodities. The U. S. report is reviewed carefully each year by the contracting parties.

**EXPORTS AND IMPORTS IN RELATION TO DOMESTIC PROGRAMS**

Exports and imports are clearly major considerations in the domestic agricultural situation. A few observations are reviewed here which bear on the relationships we are considering in this paper.
Exports

Production from one out of every six acres of cropland harvested is moving overseas. For some crops, export markets are especially important. Last year our exports were equal to over half our rice crop, and nearly half of our production of wheat, cotton, soybeans (including oil), dry peas, and tallow. We exported anywhere from one-fourth to one-third of our production of tobacco, hops, barley, and lard.

Exports of this magnitude represent an essential outlet for our high level production. Without such an outlet, the back-up of undistributed supplies and the problems of production adjustment would be far greater than anything we have encountered so far.

Also, as we have shown, agricultural exports of this magnitude involve government programs and other forms of government intervention on a large scale. We have said that about 70 percent of the exports are paid in dollars—the balance under what we have come to call government programs. Of the $3.2 billion last year in the dollar bracket, about 40 percent required payments in cash or kind to meet world price competition. The costs associated with these programs and payments might be considered part of the cost of our domestic farm program. But they are not costs that can be directly related to farm prices and farm incomes. In a real sense, the export programs are an outgrowth of domestic programs which existed before and independently of the export programs. All the CCC payments for export for example, are on price support commodities. The farm price and the farm income has already been determined before the export takes place. However, if it were not for the export programs moving huge quantities of cotton, wheat, feedgrains, rice, edible oils, and other products, the mounting surpluses might have forced basic adjustments in the domestic price support arrangements with attendant impacts on producer incomes.

Because of the prevalence of export programs for agriculture the other side of the picture is sometimes overlooked or at least under emphasized. Soybeans are a case in point. Though price supported, the new export record of 142 million bushels has not involved any export payments in cash or kind and none have been exported under Public Law 480. Only relatively small quantities have been exported under Mutual Security financing.

Exports at this rate account for more than twice the soybean production in Iowa and at national average yields, take up about 6 million acres of cropland. If this acreage had been devoted to, say, corn, another 300 million bushels of corn could have been produced.

The situation in respect to feedgrains also deserves special attention. The U. S. support price is now essentially competitive on world markets. Except for grain sorghums, CCC export payments have almost disappeared. Payments, where needed to meet competition, are in the 1-3 cents per bushel range. During last fiscal year when 12.2 million tons of feedgrains were shipped abroad, export payments amounted to $23 million or less than 5 percent of the market value. About 72 percent moved under dollar sales.
Many of the non-price supported commodities also move in the export market at high levels on a straight commercial basis. Lard and tallow are two such items. The domestic market prices are competitive with world market prices.

It is sometimes said that farmers derive little satisfaction from large exports when the exports resulted from low prices in the United States. It is generally true, of course, that when prices of commodities rise, other things being equal, exports tend to fall. In this case, higher producer incomes may be associated with falling exports. But this one case does not tell the bigger story. Even if our huge export market for, say tallow grew out of low prices, one can only speculate as to what tallow prices would have been if the export market had not absorbed 1.5 billion pounds of this joint product.

Imports

Generally speaking, U. S. import programs are not directly related to producer prices and incomes. One notable exception is wool. The policy of deficiency payments for wool was adopted in the National Wool Act of 1954 in lieu of raising the tariff on raw wool as recommended by the Tariff Commission. Under the Wool Act, an incentive price level is set each year, and government payments are made to producers to make up the difference between the national average price received in the free market and the incentive level. During 1958-59, the last year for which complete information is available, incentive payments amounted to $85 million. The free market price is approximately the world price plus the tariff.

Another exception is sugar. The relative levels of sugar prices to our producers (and consumers) are established and to a considerable extent stabilized by limiting the total supplies of sugar in the market. Limitation of both foreign and domestic additions to the U. S. supply is achieved under the quotas and other provisions of the United States Sugar Act. As a result, U. S. sugar prices generally have been higher, when reduced to a comparable basis, than sugar prices in non-preferential markets. Under the quota program the tariff has been greatly reduced. Our tariff on raw sugar from full-duty countries is 0.625 cents per pound. In addition to the tariff, imported and domestically-produced sugar both bear a tax of 0.535 cents per pound of refined sugar. This tax is paid directly to the Treasury. Domestic producers, however, receive conditional payments, not available to foreign producers, when sugar cane or sugar beets marketed are within the proportionate share established for the farm, when at least the prescribed minimum wages are paid to labor and when no child labor is used. The funds for the conditional payments are appropriated annually by Congress. The amount paid out has exceeded the amount of excise tax collected on domestic sugar, but has been less than the total collections.

Imports of supplementary commodities in 1960 (the same kinds as those produced in the United States) represented the equivalent of 16 million harvested acres. Persons representing U. S. farm interests frequently question the policy of permitting any imports of competing commodities in view of our agricultural abundance, our production control measures, and the great public expense attached to our farm programs.
Some go as far as to say, and we are sure you have heard them, that such imports under U. S. farm circumstances are downright absurd.

Basically, it is a question of international trade. Not only are there trading rules to follow and foster, but economic benefits to be considered. Often the countries from which we import the questioned products are our best customers for agricultural items. Stated simply, import restrictions beget retaliatory import restrictions by other countries. We cannot measure what would happen to our exports if we restricted imports beyond the limits necessary to protect domestic price support programs. However, we would expect to end up with a net loss rather than a gain.

Like all foreign trade matters, the difficult explanations arise because individual producer groups cannot be expected to feel paramount concern for the total welfare where their own incomes appear to be adversely affected. A cattle producer in the midwest doesn't necessarily welcome cattle imports from Canada just because Canada is a huge market for California citrus. These are real attitudes that have to be dealt with. It is a condition that requires statesmanship, education, good marketing leadership, and a willingness on the part of all of us in responsible positions to keep these trade matters under review in terms of finding the best solutions.

CONCLUDING STATEMENT

It follows from the above discussion that domestic price and income policies have some clear cut implications when related to export and import programs. These may be stated briefly as follows:

(1) Whenever domestic programs result in domestic prices that are higher than the world price by an amount greater than the import duty and the transportation differential, it may become necessary to seek some additional protection at the borders.

(2) Similarly, whenever domestic prices are above the world price, exports are not likely to take place without some governmental intervention to adjust export prices to world prices.

(3) Under either of these conditions, special exceptions may be required for agriculture within the guiding rules of trade policy adhered to by the United States and the other major trading nations of the world.

A number of corollary considerations follow from these basic implications. All tie to agricultural prices as the key to trade problems and trade opportunities.

Take the matter of import quotas as additional protection to a domestic price program. These quotas may impair a tariff concession negotiated in the trade agreements program. The injured country has recourse through withdrawing concessions of equal value granted to the United States. But withdrawals tend to negate the purpose of the program. Moreover, the interests of third countries are frequently
involved. These countries may in turn follow the example and place new restrictions against us and other countries. This then is not the way to build expanded world trade. Non-tariff import restrictions must be clearly justified in the eyes of our trading partners and applied with discretion. This is what we expect from others. This is what we press for in our efforts to gain greater trade liberalization for U. S. agricultural products.

The situation in respect to export price assistance and export programs is not greatly different. If we are to make real lasting trade gains, our programs must be conceived with fundamental external factors in mind and administered with utmost discretion. A number of safeguards are written in the statutes, such as those in Public Law 480. But the fact remains that our posture in international forums is directly conditioned by our own programs arising out of domestic price and income policies. When we seek trade liberalization for agriculture, we can only mean an opportunity to compete in the world market fairly, based on competitive prices. We cannot and do not expect to expand foreign markets by underselling world prices with U. S. Treasury support.

There are other ways in which domestic price policies relate to trade programs. One is the danger of stimulating production of undesirable grades or varieties which end up in CCC inventories or under loans and for which there is little or no foreign demand. We had such an experience with tobacco not long ago. Another, is that high domestic price supports tend to stimulate production, retard domestic consumption, and increase the pressure for special export programs. Export programs under these conditions, you can be sure, would not be very popular with foreign competitors.

Finally, we must be ever mindful in our trade policy to keep special exceptions for agriculture within completely justifiable limits. Currently, and for some time now, possible exceptions for agriculture has been our greatest concern in the emerging agricultural policy of the Common Market in Europe. Too many exceptions can only lead to a separate set of trading rules for agriculture. A separate code for agriculture, in turn, can only mean a severe weakening if not a complete breakdown of the U. S. goal of expanded world trade on a multilateral, non-discriminatory basis.
### Table 9.1: Estimated Value of U.S. Agricultural Exports Under Government Programs and Dollar Sales, With and Without Export Payments, By Commodity, July-June 1959-60

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<th>Type of Export</th>
<th>Wheat and flour</th>
<th>Rye</th>
<th>Feed grains</th>
<th>Rice, milled</th>
<th>Cotton</th>
<th>Dairy products</th>
<th>Other</th>
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<td></td>
<td>Million dollars</td>
<td>Million dollars</td>
<td>Million dollars</td>
<td>Million dollars</td>
<td>Million dollars</td>
<td>Million dollars</td>
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<td>55</td>
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<td>--</td>
<td>--</td>
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<td>With export payments 2/</td>
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<td>32</td>
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<td>Total</td>
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<td>541</td>
<td>136</td>
<td>826</td>
<td>127</td>
<td>2,015</td>
<td>4,527</td>
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<td>All exports:</td>
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<td>1</td>
<td>36</td>
<td>14</td>
<td>172</td>
</tr>
<tr>
<td>Sub total</td>
<td>875</td>
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<td>541</td>
<td>136</td>
<td>826</td>
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<tr>
<td>Total</td>
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<td>136</td>
<td>826</td>
<td>127</td>
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</tr>
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<td>Amount export payment 4/</td>
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<td>23</td>
<td>41</td>
<td>265</td>
<td>16</td>
<td>3</td>
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1/ Exports under Titles I, II, and III of Public Law 480 and Sec. 402 of Public Law 665. 2/ Estimated value of exports principally under payments-in-cash or in-kind programs. 3/ Donations under Titles II and III of Public Law 480. 4/ Excludes donations. 5/ Includes vegetable fats, oils, and oil seeds (principally soybeans and soybean and cotton seed oil), $538 million; animals and animal products except dairy (principally lard, tallow, meats and products, and hides and skins), $456 million; fruits and vegetables, including preparations, $400 million; tobacco, $342 million; and other, $257 million.

Trade Statistics Branch
Trade Policy Division, FAS
11/21/60 (Revised)