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The prospects for a U.S. farm export drive

by Susan B. Cohen

The Soviet grain embargo and David Stockman's meat-axe approach to budget cutting were concerns of the more than 200 farm-industry leaders who met in Washington Feb. 9-11 to kick off the U.S. Farm Export Education Project's organizing drive. The Project is sponsored by the Agriculture Council of America (ACA), an independent organization designed to unify farm spokesmen and "tell the story of modern agriculture" to the nonfarm population.

The conference, headlined "U.S. Farm Export Strategies for the Eighties," urged the Reagan administration to quickly adopt a comprehensive and consistent agricultural export policy free of the disruptions and uncertainty that have characterized the past 10 years of a farm policy in flux, making American producers more and more dependent on farm exports.

At the center of conference deliberations was a set of long-range proposals for expanding farm exports and mobilizing the population behind such a program presented by the project's 35-man blue-ribbon committee. The committee included three former secretaries of agriculture; the governor of Kansas; the chairmen of two congressional committees; the heads of major agribusiness corporations; private grain companies and grain cooperatives; and representatives of the leading grower groups. The report recommends a strategy encompassing the transportation, research and credit needs of U.S. growers, as well as vital market-development programs critical for new, mainly Third World, market areas.

The conference pinpointed one of the preconditions for successful implementation of the proposals, underscored by the appearance of Agriculture Secretary Block. Despite his explicit endorsement of research and market-development programs, and his general advocacy of expanded production, Block was not able to offer a definitive farm policy, much less an export-growth drive.

If they hadn't suspected it already, conference participants should have been thoroughly convinced that their first job will be to get contol of agriculture policy out of the hands of the State Department, the Office of Management and Budget, and the Federal Reserve, and back into the Agriculture Department where it belongs.

"Farm exports are one of this country's greatest national assets," blue-ribbon committee chairman Don Chartier, president of FAR-MAR Co., one of the nation's largest grain-marketing cooperatives, told the opening session. "Our plan is to not only make these findings public but to take them to the American people in an effort to build a solid foundation for the future. The message . . . to get across is that farm exports aren't just in the agricultural interest—they're clearly in the national interest. Farm exports are a major factor in the U.S. economy, creating new jobs, reducing inflation and helping greatly to strengthen the dollar."

From 1970 to 1980, the volume of American farm exports nearly tripled, from 61 million tons to 164 million tons. Today, about 30 percent of American corn, grain sorghum, tobacco, and prunes are exported, while more than half of all our soybeans, cotton, rice, cattle hides, and wheat are exported. Since the mid-seventies, farm exports have been the single largest positive item in the overall balance of trade, reaching a $23.2 billion surplus in 1980.

Besides providing a profitable basis for agriculture, further improvements in productivity and cheaper production costs, this export activity has a direct effect on the rest of the economy. A USDA study of 1979 farm exports showed that they provided more than one million fulltime jobs—500,000 in the farm sector and another 630,000 in assembling, processing, and distribution. Further, it is estimated that every dollar of farm exports in 1979 actually added at least $2.05 to the economy.

Productivity and food prices

American farm exports, like American agriculture itself, represents America at its best, as Oklahoma University President Larry Boger, one of the principal speakers, put it. "It's a story that shouldn't have to be told," Boger emphasized, and the key is productivity, the unparalleled results of the development and application of new technologies. But as Boger and others pointed out, America's ability to continue to deliver increased quantities of products must be reinforced.

Restoring profitability to American agriculture is the bottom line; exports can help to do that without igniting an explosion of food prices in the United States. As the blue-ribbon report notes, a study done recently for the National Association of Wheatgrowers showed that a 50 percent increase in wheat exports would push wheat prices up about 43 percent—to about 80 percent of parity—over two years. The rise in prices for cereal and bakery products would in turn raise food prices by 0.8 percent on average over the same period. And, since food has about a 20 percent weight in the overall Consumer Price Index, the overall inflation rate would be increased by a mere 0.2 percent.

At the same time, of course, the increase in exports would help reduce the net balance of payments deficit, and, combined with increased purchases by farmers of equipment and other production inputs, would create new employment and raise GNP.

More fundamental, as the report also notes, is the long-run effect of greater profitability, which allows producers to increase their level of capital investment in more advanced technologies and practices. This contributes to an overall lowering of the production costs.

Technology

The "synergism" of R&D and an educational policy to encourage both public and private support of science and education programs is being eroded, Nicholas Reding, vice-president at Monsanto and chairman of the National Agricultural Chemicals Association, told the group. "Greater focus must be placed on federal policies that encourage the concentration of government-funded and industry-research resources on the development of new technology for the American farmer. At the same time, some present and all future federal regulations that inhibit industry's development of new technology must be thoroughly re-examined and decisions made as to the risks and benefits to society based on scientific principles rather than political expedience."

Another critical constraint on America's ability to supply growing export markets—the lack of a coherent national transportation system—was addressed by Jerry O'Dowd, president of Agri-Industries, one of the country's biggest grain-marketing cooperatives. O'Dowd detailed the typical transport bottlenecks faced by grain shippers—from the dilapidated conditions of the rural road and bridge network, to the waterways and rail lines—and showed that "one-mode-at-a-time" transportation policy had produced such inefficiencies that "only the strong participation of the federal government can bring solutions." Further, with interest rates where they are, O'Dowd remarked, no one can afford to have $5 million worth of commodities and equipment poking along a railroad track at 10 miles per hour.

The international setting

In addressing the international framework for expanding American farm exports, Jack Felgenhauer, immediate past president of the National Association of Wheat Growers and presently the Association's international trade representative, outlined prerequisites for an aggressive market development program: strengthening the Foreign Agriculture Service, the Commodity

Figure 1

U.S. wheat, corn and soybean production, consumption and exports

Millions of metric tons

	1950	1960	1970	1980	% increase from 1950 to 80
Soybeans					
Production	8.1	15.1	30.7	48.3	496%
Domestic use	7.4	12.1	22.4	29.7	301
Exports*	0.8	3.7	11.8	23.8	
Corn					
Production	70.2	99.2	105.5	164.1	134
Domestic use	69.9	86.0	101.0	124.8	79
Exports	3.0	7.4	13.1	64.8	2060
Wheat					
Production	27.7	36.9	36.8	64.3	132
Domestic use	18.8	16.1	21.0	22.6	20
Exports	9.3	17.8	20.2	36.9	296

* Does not include soybean meal, which amounted to 7.2 million metric tons exported in 1980.

Source: *U.S. Foreign Agricultural Trade Statistical Report,* Fiscal Year 1979, USDA, ESCS; *Outlook for U.S. Agricultural Exports,* Nov. 17, 1980, USDA, World Food and Agricultural Outlook and Situation Board, and *Business Conditions Digest,* Department of Commerce, 1980.

Figure 2
U.S. agricultural exports: value by region

	Fiscal 1970		Fiscal 1980	
	Billions of current dollars	Percent of U.S. exports	Billions of current dollars	Percent of U.S. exports
Region				
Western Europe	$2.369	35.2%	$12.569	31.0%
Eastern Europe	0.133	2.0	2.449	6.0
U.S.S.R.	0.017	0.3	1.457	3.6
Asia	2.452	36.5	14.298	35.2
Japan	1.089	16.2	5.775	14.3
China	0.0	0.0	1.957	4.8
Other	1.363	20.3	6.506	16.1
Canada	0.767	11.4	1.830	4.5
Africa	0.229	3.4	2.277	5.6
Latin America	0.649	9.7	5.482	13.5
Oceania	0.056	0.8	0.189	0.5
Other	0.050	0.7	—	—
Total	$6.721	100.0%	$40.5	100.0%

Source: USDA, *Outlook for U.S. Agricultural Exports*, Nov. 17, 1980 and *U.S. Foreign Agricultural Trade Statistical Report*, Fiscal Year 1979, Washington, D.C., December 1979.

Credit Corporation programs, and PL-480, which OMB chief Stockman has targeted. Despite the fact that they've been hobbled (the FAS budget has been frozen or declining in real terms for the past 10 years, and several key programs authorized two years ago for CCC are still not funded), these programs are largely responsible for the farm export success of the 1970s.

Especially in the developing sector, now 35 percent of the U.S. farm export market and the area of greatest potential growth, these programs are essential. At the same time they make it possible for the country to purchase farm output, these programs also assist in developing the infrastructure to receive and handle it. Between 1956 and 1980, the CCC's short-term credit program financed $9.2 billion worth of sales—and never lost a penny in default. Felgenhauer and others are advocating that the CCC set up a revolving fund to finance these programs to avoid begging for money each year. "PL-480 got it all off and running in the first place," Felgenhauer stressed. "It's a program we just have to have," he said, "especially if we're starting up in a new developing country." Stockman wants to phase out all but the outright grants in two years.

Richard Bell, a former undersecretary for international affairs and now chief executive of Riceland Foods, reported that since he had been pretty hard on Stockman in a speech the night before, he would instead speak bluntly about "trade barriers." Bell insisted that "two wrongs do not make a right"; the anti-Soviet embargo was wrong to begin with. And present efforts to seek a quid pro quo on its repeal are also wrong, he said, referring to the new administration's tying of the question to Soviet action in Poland.

But for all Bell's bluntness, he declined to face up to the devastating "trade barriers" created by the International Monetary Fund's "conditionalities" and related zero-growth policies throughout the developing sector. Bell invoked the Europeans' greater "sophistication" on the question of the embargo and East-West relations generally, but he neglected to mention their equally emphatic and sophisticated initiatives to repair the broken-down world credit system (see article, page 6).

These initiatives, and the Europeans' repeated invitations to the United States to join in the project, have been quite systematically blacked out of the American press. Assertions such as that issued by a prominent banker at one of the conference discussion sessions—to the effect that the Reagan administration wouldn't, and indeed shouldn't, have anything to do with a "multilateral approach" to economic issues—are the unfortunate effect. Despite emphasis on the fact that "market development" is qualitatively different than simply "selling" a product, the extent to which a successful farm export expansion drive hinges on U.S. adoption of a decisive international economic growth policy was not acknowledged. And despite the fact that the blue-ribbon report points to the "problems" of Third World debt burdens and inadequate income levels, neither the report nor formal conference discussion ventured a positive policy solution.