

# Palmby Speaks on Role of Farm Exports in U.S. Economy

**Editor's Note:** While the following speech made recently by Clarence D. Palmby was geared specifically for a California audience, we think it is an excellent summary of many recent statements by USDA and other government officials on current U.S. farm policy. Palmby is U.S. Assistant Secretary of Agriculture for International Affairs and Commodity Programs.

Assistant Secretary of Agriculture Clarence D. Palmby said recently that California farmers, by doubling their export of farm products in seven years, had made a "powerful contribution to the U.S. balance of payments."

Palmby, speaking at a luncheon of the California Council for International Trade, said that California's share of the Nation's record \$7.8 billion in farm exports in fiscal year 1971 amounted to \$555 million. Most of these were commercial sales for dollars.

About one-third of California's exports were fruits and preparations — shipments amounting to \$184 million. The other leading commodities were rice at \$63 million, nuts at \$60 million, cotton at \$56 million, and vegetables and preparations at \$52 million.

"California's record farm export of \$555 million puts her in third place among all the great

#### Farm News Brief

Ketosis, displaced abomasums or breeding complications may be brought about as a direct result of feeding cows on diets lacking a proper hay ration, according to Dr. Samuel B. Guss, veterinarian with the Pennsylvania State University.

farm States. Illinois ranked first in fiscal 1971, with agricultural exports valued at \$655 million. Iowa was second with \$592 million.

"In fiscal 1971, U.S. farm exports reached a record high of \$7.8 billion—a rise of \$1 billion over the preceding year. All but about \$1 billion of this was commercial sales for dollars—also an all-time high. During the same year, agricultural imports were \$5.8 billion—about two-fifths of this amount being bananas, coffee, rubber, and other commodities that are in no way competitive with U.S. production.

"U.S. agricultural trade thus produced a commercial surplus of over a billion dollars last fiscal year while most other categories of trade were in deficit. Certainly this portrays the importance to our national economy of a continued high level of agricultural exports.

"More than anything else, it was a decline in our overall balance of trade in recent months that called into being President Nixon's New Economic Policy. The new policy is a courageous and imaginative effort to make the U.S. economy more competitive in the world, and already there are signs of improvement.

"It will not be easy to set right a problem that has been growing for several years, but the President has set us on a new direction—with the gold float and the import surcharge. If the result is a more equitable alignment among the world's currencies, U.S. agriculture has a great deal to gain.

"In the years immediately following World War II, there was no question about the value of the dollar. This country was the supplier—in many cases the only supplier—of many farm and nonfarm commodities. The dollar was the means of purchasing these goods, and was valuable without question.

"As time went on, and the European nations recovered, this changed—slowly and without always being accurately measured. By 1960, it was evident that foreigners held an amount of

dollars that exceeded the value of our gold holdings. Since that time, there has been a rather steady erosion of the U.S. reserve position. U.S. reserves have declined by about \$7 billion since 1960, while those of the rest of the world rose by about \$40 billion.

"During the early and middle 1960's, the balance of payments deficit usually ranged between \$1-1/2 billion to \$3 billion a year depending on how you measure it. In 1969 and 1970, the balance of payments picture was mixed, with some measurements showing improvement and some showing a deterioration. Fortunately, the trade component of this balance stayed on the positive side, helping to offset the negative balances on tourism, government loans, and overseas investments.

"But by early 1971, even our trade balance was running in deficit month after month. It was apparent that, without strong action by the United States, we were in for our first annual trade deficit since 1892—about \$2 billion. This would have been a slump of more than \$8 billion from the comfortable surplus of \$6-1/2 billion that we had as recently as 1964. With the trade balance in trouble there was no longer any doubt that the dollar was in difficulty.

"The causes include factors both inside and outside the United States. The internal causes include sharply rising costs of production not matched by gains in productivity, accompanied by persistent unemployment and inflation despite U.S. efforts to correct these problems. At the same time, we were handicapped in dealing with monetary problems by the fact that the U.S. and the dollar have such a key role in the international monetary and payments system. We were also hindered by the defense burdens we carry overseas and by certain trade policies developed during the post-war years as we helped other countries to rebuild their economies.

"At any rate, we were faced with the likelihood of a staggering deficit and the

balance of payments if all these trends were allowed to continue. Hence the courageous and forward-looking actions by the President to set the U.S. on a new and positive course—the most important shift in economic policy in almost four decades.

"Already we have seen certain corrections in the system of exchange rates, and perhaps most important, the nation is moving forward with new confidence and a new spirit as we look toward being really competitive in years ahead."

Assistant Secretary Palmby said that American agriculture wants and needs to make an even greater contribution to the nation's trade balance—"but if this is to happen we must continue working toward an open trading world that favors efficient production and comparative advantage."

He said that California producers had much to gain from an extension of liberal trading policies in the world. There is ample evidence, he said, of the benefit that can come to California producers as trade barriers are lowered. Lemons, raisins, and almonds were cited as examples.

"California is to be congratulated for the work that your people have done to develop

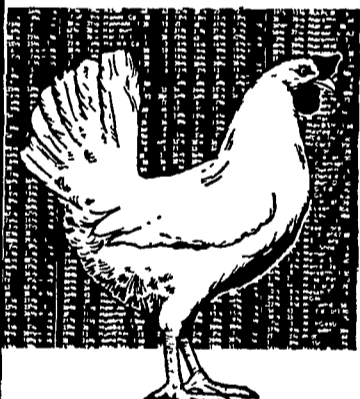
the overseas market for fresh lemons, raisins, and almonds. The growth of this trade, particularly with Japan, shows how much benefit can come to your state as a result of trade liberalization.

can be repeated for fresh grapefruit. After years of effort, by trade groups as well as government, Japan has liberalized the import of fresh grapefruit, and we are of course very pleased to see this. The U.S. Government continues to press, as it did last week in Cabinet-level meetings with the Japanese, for the removal of all remaining restrictions on U.S. imports into that country."

Palmby said he hoped that cotton producers in California, as well as other states, would plant larger acreages next year. He said:

"The new cotton program, authorized by Congress last year, gives producers the opportunity to produce more heavily for the export market. Current prices and the price outlook are favorable. I hope that the combination of opportunity and price will encourage growers to plant and produce more cotton in 1972."

Prospects are for a 1971 cotton crop that will fall short of disappearance. The same is true for world production and use.



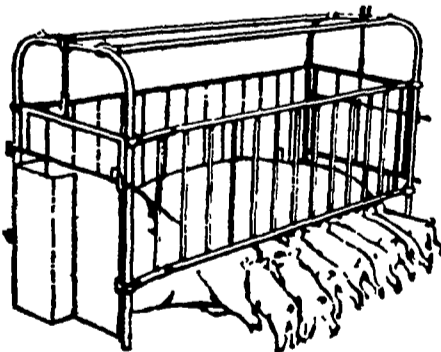
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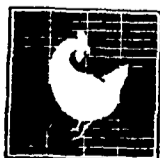


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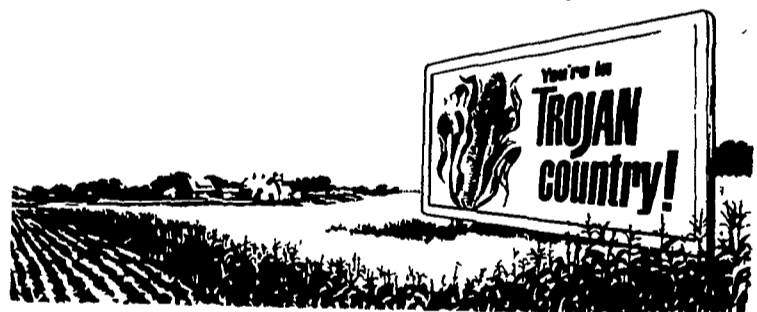
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