

Ag trade issues crucial to U.S. food policy

NEWARK, Del. — Agricultural trade, involving both exports and imports, is a major determinant of farmer and consumer welfare in the United States. Farmers as a group derive a significant share of their net income from sales in the export market, says Delaware extension resource economics specialist, Gerald F. Vaughn.

The total impact is even larger, as export sales expand the market beyond domestic needs and enhance farm prices accordingly.

Agricultural producers also depend on foreign sources to add to our supplies of production inputs such as liquid fuels, potash and phosphate, agricultural chemicals, and specialty machines. Without these imports, farmers' production costs would be higher and production efficiency would be reduced here and abroad.

Consumers benefit from having U.S. markets open to agricultural imports. Imports bring us products which are either not available in the U.S. or are available from foreign sources at lower cost.

Imports increase the range of choice of products available to consumers and keep domestic producers competitive.

Since 1974 agriculture exports have exceeded the value of agricultural imports by over \$10 billion per year. The positive balance of trade in the agricultural trade account helps finance the importation of nonagricultural products, such as oil, automobiles, electronic products, copper, iron, and many other minerals.

Without these imports our level of living would be significantly lower.

Although the U.S. is the leading world exporter of agricultural products (value and volume), not all U.S. agricultural producers favor a free trade position as basic U.S. policy.

On the one hand, American cattlemen are opposed to imports of frozen, boneless beef and have lobbied successfully for meat import quotas. On the other hand,

they want the government to follow a hands-off policy toward exports and are opposed to export controls for cattle hides.

Dairymen are opposed to imports of butter, cheeses, and other dairy products.

Many soybean producers, who depend so heavily on export markets to use more than one-half of their annual production, are opposed to imports of palm oil because it competes with soybean oil.

These positions indicate American farmers as a whole have no unified policy stance in favor of either free trade or protectionism, he says. This is not surprising when one considers the range of products and diversity of attitudes held by producers toward the extent of government involvement in agricultural markets.

Although U.S. trade in agricultural products is carried out by private firms and individuals, actions by the federal government have a major impact on both the volume and the terms of trade.

Government affects the general economic and political environment in which international trade is fostered and developed. The trading environment is affected more directly by use of tariffs, quotas, trading arrangements, the extension of credit, concessionary sales and market development work.

There is a trend toward protectionism with respect to food and agricultural policies in the world today, Vaughn says.

Trade policies are designed to accommodate domestic interests and maintain political support and stability within each country. Given this trend, the U.S. faces three general policy alternatives with respect to food and agriculture.

- 1 - Encourage freer trade using all means possible;
- 2 - Accept protectionist trends using bilateral arrangements and/or multilateral ar-

rangements to facilitate trade wherever possible;

3 - Become more protectionist in response to producer, consumer, labor, and maritime initiatives.

If we choose to encourage freer trade, the question then becomes how to do it most effectively. Policy choices available can be grouped in four major categories.

Maintaining access to markets
Stabilizing world grain markets
Improving market organizations for the conduct of trade.

Maintaining world food security and improving relations with less developed countries.

Maintaining access to world markets is of potentially great importance to Delaware's broiler industry, which has been exploring more opportunities for exports in recent years, says Vaughn.

However, the European Community's Common Agriculture Policy for poultry has had severe adverse effects on U.S. poultry exports over the years in markets where EC subsidies have been applied. Now that the EC has

reintroduced poultry subsidies on almost a worldwide basis, there is grave concern in the United States that all of our export markets for poultry eventually will be in jeopardy.

Because trade is so important to American agriculture, and because domestic policies both in this country and abroad have a major impact on trade, new U.S. farm legislation will be watched carefully by many people both at home and abroad.

The impact of domestic programs on international trade should be recognized as one of the key components in final decisions on food and agricultural legislation in 1981.

Farm programs have been concerned with price supports, production controls and surplus disposal programs, with little attention given to their effects on trade in agricultural products.

U.S. farm exports have expanded rapidly since the early 1970's, with declining value of the dollar, increasing national in-

comes, growing populations, and changing import policies around the world.

In the present economic and political environment, it is crucial that current and proposed farm programs be considered in terms of their effects on our balance of payments and our capacity to trade.

If internal prices are set too high, trade will be restricted and export subsidies and/or production controls will be required. Surplus disposal programs on a large scale will be costly and will have largely negative effects on economic development here, and especially in the poorer, less developed countries.

For a more complete discussion of agricultural trade issues, including policy choices and consequences, contact Gerald F. Vaughn for Factsheet #5 of the series devoted to food and agricultural policy issues for the 1980's.

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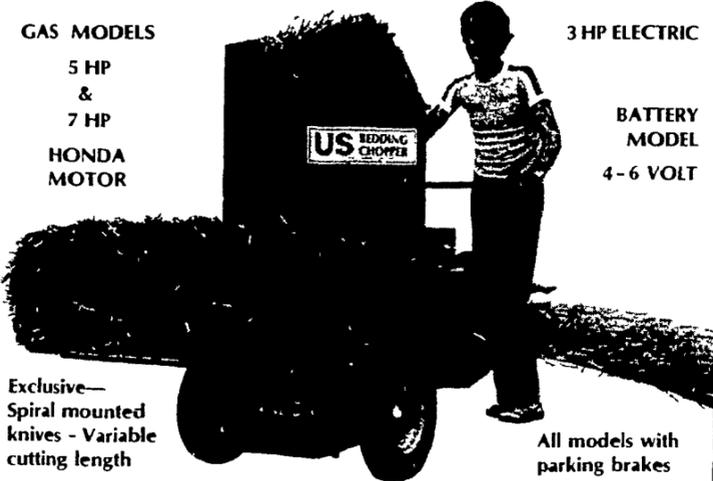
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