

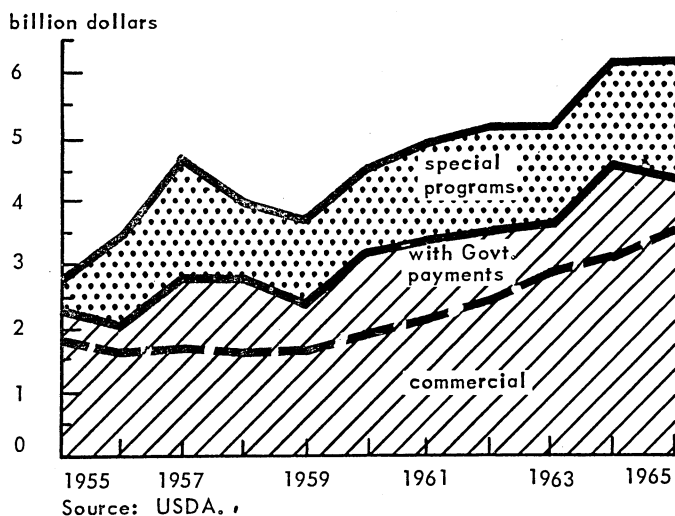
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Federal Reserve Bank of Chicago - -

March 4, 1966

GOVERNMENT PROGRAMS have figured importantly in the rapid growth of agricultural exports in recent years. In the year ended June 1965, the United States exported a record \$6.1 billion of agricultural commodities; about two-fifths required Government subsidy in one form or another. Slightly less than \$1 billion of "commercial" exports were subsidized by Government export payments in cash or in kind or by sales to the exporting firms from Government stocks at less than domestic prices. About \$1.7 billion of agricultural commodities were shipped under "special" Government export programs. Since the mid-1950s, overseas shipments under the "special" programs have exceeded \$16 billion, representing about one-third of the total U. S. agricultural exports during this period.

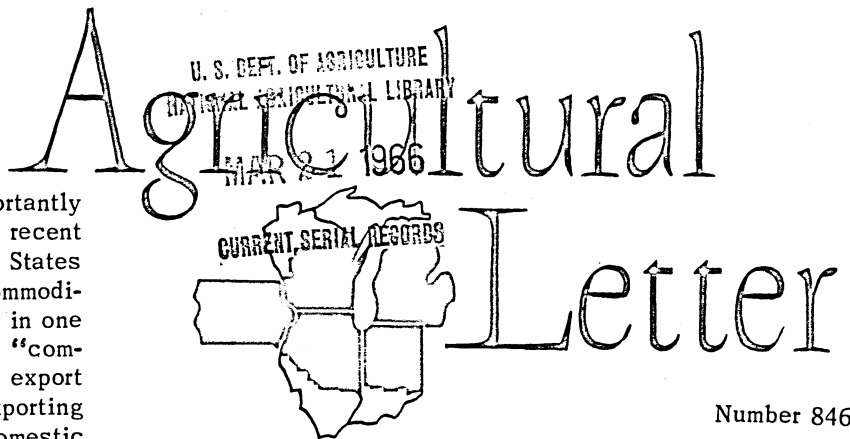
Government Programs Aid Exports



The bulk of the "special" exports has moved abroad under the provision of the Agricultural Trade Development and Assistance Act of 1954, as amended—popularly known as P.L. 480. In fiscal 1965, P.L. 480 exports exceeded \$1.6 billion and during the past decade have amounted to nearly \$14 billion. This program includes sales for foreign currencies, long-term credit sales for dollars, barter, and donations for famine and emergency relief.

P.L. 480 was originally a temporary measure (limited to three years) to achieve a rapid disposal of the accumulated stocks of surplus farm commodities in Government storage. However, the program has been extended repeatedly and has been expanded in scope and presently bears the banner of "Food for Peace." The authorization of the present program is scheduled to expire this year.

A Food for Freedom program was proposed by the President last month to replace the current program. The proposed plan is similar to the Food for Peace program, but differs in several respects. The Administration called for the establishment of more exacting self-help criteria in food aid agreements and demonstration of significant efforts by recipient countries to solve their food



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problems as a condition for further U. S. food aid. It was also proposed that an increasing proportion of the exports be financed through long-term dollar credits. In 1965, more than two-thirds of the P.L. 480 shipments were for foreign currencies. Authorization was also requested to permit the Government to purchase food from the domestic market to supply noncommercial export commitments rather than to require all noncommercial exports to come from stocks of surplus agricultural commodities. Additionally, it was proposed that the CCC be given authorization to finance vitamin-protein-mineral enrichment of some food shipments, thus increasing their nutritional value and usefulness.

In keeping with the objectives of the new program, the Secretary of Agriculture has been directed to increase the 1966 acreage allotment for rice by 10 per cent, to purchase limited amounts of dairy products to meet foreign program needs and to take actions which would result in expanded soybean production this year. Consideration also is being given to bringing the 60 million acres now diverted back into production as outlets for the products are developed.

Thus, serious efforts are being made to reshape the Government's agricultural export program to achieve greater utilization of the abundant productive capacity of American agriculture. Success of this endeavor will depend largely on the following: how effectively the food can be distributed among needy people in the recipient countries, whether local agricultural initiative in these countries can be enhanced or at least maintained in face of large U. S. food imports, whether recipient countries are willing to take additional U. S. agricultural commodities and the willingness of Congress to appropriate larger sums to finance such a program.

While these problems may be overcome eventually, the possibility of substantial expansion of U. S. food aid in the near future appears to be rather limited. Many observers claim that the physical limits for efficient use of ports, transportation and marketing facilities have been approached in many countries—even at current levels of food aid. Also, past U. S. food shipments in some instances have resulted in downward pressure on agricultural prices in recipient countries and thus reduced the incentive for domestic farmers to increase production. Many nations are striving to become less dependent upon food imports and many are reported to be unwilling to take additional food aid except in cases of dire emergency.

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