SCHOOL OF LAW
CASE WESTERN RESERVE UNIVERSITY

Case Western Reserve Journal of International Law

Volume 17 | Issue 3

1985

U.S. Policies Affecting International Agriculture Trade

Leo W. Mayer

U.S. Policies Affecting International Agriculture Trade

*by Leo V. Mayer**

I. Introduction

American economic policy establishes international patterns of market behavior that affect all nations, including those that do not participate actively in international trade. Similarly, American farm policy establishes a framework for the international exchange of agricultural products that affects all nations, including those that do not utilize international markets for purchase or disposition of farm products. Both conditions arise from a single fact: The United States is a dominant force in world markets, both economically and agriculturally.[1]

The influence of American economic and agricultural power is not merely due to its immense size, although that is important. A major part of the influence arises because both the national economy and the agricultural sector generally produce surplus output.[2] The movement of this surplus output into export channels affects world markets—financial markets, industrial markets, and commodity markets. In turn, the surplus influences the level of prices received for products and the income earned by producers, processors, and traders in countries far removed from the United States. It also affects the imports and exports of other

* Ph.D, Iowa State University (1967); M.S. (1961), B.S. (1959), Kansas State University. Dr. Mayer is currently Associate Administrator of the Foreign Agricultural Service. Prior to his appointment he was Senior Specialist for Agriculture at the Congressional Research Service at the Library of Congress; Senior Agricultural Advisor with the Office U.S. Trade Representative; and Senior Staff Economist with the Council of Economic Advisors. Before coming to Washington in 1972, Dr. Mayer held several positions at Iowa State University, including assistant and associate professorships in the Department of Economics, and an associate directorship of the North Central Regional Center for Rural Development. Dr. Mayer is the author of several books and articles on agriculture and food policy, and has served as guest lecturer for the U.S. Information Agency and the Department of State in India, Japan, Mexico, Brazil, Chile, the Carribean and the Soviet Union.
The author especially appreciates the helpful assistance of Drs. Abdullah Saleh and Delores Richmond of the Foreign Agricultural Service, U.S. Department of Agriculture.

1 *See generally* B. Poulson, Economic History of the United States (1981) (the industrial rise of the United States); J. Schlebecker, Whereby We Thrive: A History of American Farming 1607-1972 (1975) (development of U.S. agriculture).

2 The industrial side of the U.S. economy has not kept pace with the requirements for domestic consumption and exports, leading to growing imports and a negative balance of trade. "The 1983 deficit in merchandise trade was about $6 billion, approaching twice the previous record set in 1982. A deficit in the neighborhood of $110 billion is forecast for 1984." 1984 Economic Report of the President 42-43 (1984). *See also* Council of Economic Advisors Annual Report (1984).

nations and their balance of payments. It is not surprising therefore that American economic trends and economic and agricultural policies are watched carefully by officials of other nations.[3]

While the interest of foreign officials in the industrial sectors of the U.S. economy is long-standing, their interest in the agricultural sector is a more recent development.[4] For some countries, this interest has developed because of growing food deficits.[5] Many look to the United States as a source of information as well as food supplies.[6] For other countries, the interest is due to the competition that American agriculture brings to global commodity markets. The increase in U.S. farm productivity has sharpened this competition over the past several decades.[7]

Fortunately for all food exporting countries, global markets have expanded rapidly in recent years (appendix table 1). Population increases have raised the demand for food in many developing countries and economic growth has added more food demand through higher incomes in most developed countries.[8] Together, these basic trends have created a growing global market for food.

From a U.S. standpoint, the expansion in global agricultural trade has allowed nearly a 500% increase in American farm exports in thirty years.[9] While this was a sizable increase, American farmers still had acres of land that could have been used for crop and livestock production throughout most of this period.[10]

The growth of American farm exports between 1950 and 1980

---

[3] In my view, there is a growing interest among foreign ambassadors and agricultural attachés in U.S. agricultural trends. There is also widespread interest in and knowledge of U.S. agriculture within foreign countries themselves. This interest is especially evident in countries with closed borders like Eastern Europe and the Soviet Union.

[4] World interest in U.S. agriculture began to increase with the World Food Conference of 1974, which was organized by the United States and held in Rome. The Conference focused on world food shortages and how to resolve them. HOUSE COMM. ON FOREIGN AFFAIRS, 93D CONG., 1ST SESS., REPORT ON THE SECOND OFFICIAL VISIT OF THE EUROPEAN PARLIAMENT 32-39 (Comm. Print 1974).

[5] *Id.*

[6] The U.S. Department of Agriculture monitors world food conditions and publishes an annual report on world food conditions. ECONOMIC RESEARCH SERVICE, U.S. DEP'T AGRIC., ASI NO. 1522-6, WORLD FOOD AID NEEDS AND AVAILABILITIES (1984).

[7] Farm productivity in the U.S. increased 23.4% between 1972 and 1982, a compound rate increase of 2.1%. U.S. DEP'T AGRIC., AGRICULTURAL STATISTICS 403 (1983). Since population growth in the United States averaged about 0.7% annually and per capita food consumption was relatively stable, roughly two-thirds of the increase was available for export.

[8] For the latest projections, see generally INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, WORLD DEVELOPMENT REPORT 1984 (1984).

[9] The index farm exports was 46 (1967 = 100) in 1950 and rose to 282 in 1980. U.S. DEP'T AGRIC., AGRICULTURAL STATISTICS (1972); U.S. DEP'T AGRIC., AGRICULTURAL STATISTICS (1983).

[10] *See* AGRIC. STABILIZATION AND CONSERVATION SERVICE, U.S. DEP'T AGRIC., COMMODITY FACT SHEETS (WHEAT AND GRAINS) (1983).

changed the structure of domestic and international commodity markets. At home, domestic use became a shrinking part of the total market for farm products, accounting for 65% of all wheat marketed in 1950 but only 30% in 1980; 96% of all corn in 1950 and 68% in 1980; 88% of all soybeans in 1950 and 45% in 1980; and 99% of all rice in 1950 compared to 37% in 1980.[11]

Markets of other countries also changed in this period. Some began to export more food. Most, however, were able to claim only a relatively small additional share of the increase in world food demand during this period. By contrast, U.S. shipments accounted for a growing part of the trade in major farm commodities. Wheat, the only commodity that was traded in large quantities globally as early as 1950 and the only commodity for which official records of total world trade were kept this early, increased both in volume traded and in terms of the U.S. market position. The U.S. supplied about 35% of world wheat trade in 1950 and about 42% on 1980.[12] For corn, U.S. shipments went from 50% of world trade in 1960, the earlier date for which such data are available, to 71% in 1980.[13] U.S. soybean shipments experienced an opposite trend, accounting for nearly all of the world market in 1960 but dropping to 80% in 1980 as Brazil became a strong competitive supplier.[14]

II. U.S. FARM POLICIES

The national farm policies that facilitated the shift of rural America from a domestically oriented farm economy to an internationally focused agricultural sector were not developed overnight.[15] The original legislation that brought the federal government into direct contact with farm markets was the Agricultural Adjustment Act of 1933.[16] That act was the outgrowth of a decade of depressed farm prices and incomes. It authorized minimum prices for most major crops and, to ensure that these prices could be maintained, allowed the U.S. Department of Agriculture (USDA) to require farmers to reduce acreages planted to these crops.[17] Almost before the limitation on crop production had a chance to take

---

[11] AGRICULTURAL STATISTICS, *supra* note 7.

[12] INT'L WHEAT COUNCIL, 1982 WORLD WHEAT STATISTICS (1982).

[13] FOREIGN AGRIC. SERVICE, U.S. DEP'T AGRIC., FOREIGN AGRICULTURE CIRCULAR (GRAINS) 17 (1984).

[14] *See generally* FOREIGN AGRIC. SERVICE, U.S. DEP'T AGRIC., FOREIGN AGRICULTURE CIRCULAR (OILSEEDS & PRODUCTS) 1-85 (1985).

[15] For an excellent review of the turbulent years immediately after World War II, see CONGRESSIONAL QUARTERLY SERVICE, CONGRESS AND THE NATION 1945-1964, at 667 (1965).

[16] Agricultural Adjustment Act of 1933, ch. 25, title I, §§ 1-21, 48 Stat. 31 (1933) (codified as amended at 7 U.S.C. §§ 601-605, 607-624).

[17] A description of the Agricultural Adjustment Act of 1933 is provided in ECONOMIC RESEARCH SERVICE, U.S. DEP'T AGRIC., AGRICULTURAL INFORMATION BULLETIN NO. 485, HISTORY OF AGRICULTURAL PRICE SUPPORT AND ADJUSTMENT PROGRAMS 1933-1984 (1984).

effect, Congress added authority for placing restrictions on imports of price supported commodities by amending the Agricultural Adjustment Act. The new authority, which eventually became known worldwide by the numerical designation "section 22,"[18] authorized the President to restrict imports of any farm goods whenever he found, after investigation by the Tariff Commission, that imports were endangering programs to raise farm prices and incomes.[19] This authority remains in effect and was used by the Administration late in 1984 to request the U.S. International Trade Commission to inquire into whether imports of tobacco were interfering with the operation of the tobacco price support program.[20]

The Supreme Court partially invalidated the 1933 Agricultural Adjustment Act in 1936.[21] Congress responded by replacing the income support features with the Soil Conservation and Domestic Allotment Act of 1936.[22] This act gave the USDA authority to remove submarginal acres of land from crop production for soil conserving purposes.[23] This action reestablished a mechanism by which the USDA could reduce the acres of land planted to major crops.

The use of a soil conservation program as an indirect form of supply control was only marginally effective in achieving its goal. When farm

---

18 The exact source of the designation as section 22 is unclear:

> Section 22 was added by Section 31 of the Act of August 24, 1935, P.L. 74-320, 49 Stat. 773, and reenacted by Section 1 of the Agricultural Marketing Act of 1937, P.L. 75-137, 50 Stat. 246, June 3, 1937. As originally enacted, action under this section could be taken only with respect to articles the importation of which was found to be adversely affecting programs or operations under the Agricultural Adjustment Act of 1933. Section 22 has been amended several times and was revised in its entirety by Section 3 of the Agricultural Act of 1948, P.L. 80-897, 62 Stat. 1247, and again by Section 3 of the Act of June 28, 1950, P.L. 81-578, 64 Stat. 261. Regulations governing investigations under this section are set forth in 19 C.F.R. 201, 204.

AGRIC. STABILIZATION AND CONSERVATION SERVICE, U.S. DEP'T OF AGRIC., AGRICULTURAL HANDBOOK NO. 476, at 50-2 n.3 (1983). [hereinafter cited as AGRICULTURAL HANDBOOK].

19 *Id.* at 50-2, 50-3.

20 On September 7, 1984, President Reagan issued this directive to the U.S. International Trade Commission:

> [t]o make an immediate investigation under Section 22 of the Agricultural Investment Act of 1933, as amended, to have precedence over other investigations the Commission may be conducting, to determine whether the above-described articles (flue-, fire- and dark air-cured tobacco and burley tobacco) are practically certain to be imported under such conditions and in such quantities as to materially interfere with the tobacco price support and production program conducted by the Department of Agriculture.

Letter from the President to the Chairwoman of the United States International Trade Commission, 20 WEEKLY COMP. PRES. DOC. 1257 (Sept. 7, 1984).

21 United States v. Butler, 297 U.S. 1 (1935).

22 Soil Conservation and Domestic Allotment Act, Pub. L. No. 74-46, 49 Stat. 163 (1936) (codified as amended at 16 U.S.C. § 590 (1982)). *See* AGRICULTURAL HANDBOOK, *supra* note 18, at 1-1.

23 AGRICULTURAL HANDBOOK, *supra* note 18, at 1-22.

prices and incomes fell with the 1937 harvest, Congress reenacted the more rigorous acreage allotment provisions of the Agricultural Adjustment Act of 1933 in the Agricultural Adjustment Act of 1938.[24] The 1938 Act, generally viewed as the most important New Deal measure passed by Congress affecting agriculture, reestablished legislative authority for the USDA to administer basic production control programs.[25] This authority remains in effect today although it has been amended many times in the intervening years.[26]

For a decade after the passage of the 1938 Act, farm programs were not a critical factor in determining farm prices and incomes.[27] Overseas demand during World War II bolstered the farm and rural economy. After the war ended, however, surpluses of farm commodities soon began to accumulate.[28] As economic pressure on the farm economy intensified and federal budget costs for storing commodities soared, a long and intense legislative battle took place over the appropriate direction for future farm policy.[29]

The Korean police action that began in 1950 temporarily removed the pressure of surplus supplies on the farm economy.[30] The end of the police action in 1953, however, brought a new upsurge of farm surpluses and led to depressed farm prices and lower farm income. Like the effect of depressed conditions two decades earlier, the new round of falling farm prices created intense political pressures for action. The difference in the 1950s, however, was the evolution of a political consensus for moving farm policy in a new direction, the direction of expanded farm exports.

The consensus on farm exports was the outgrowth of past experience, which is true of almost all action by the Congress. Two particular experiences are notable. One was the favorable economic impact that large overseas sales had had on the domestic farm economy during both World War II and the Korean conflict. A second was the favorable impact that U.S. food shipments had on the recovery of Western Europe and Japan after World War II. Both conditions played a major role in encouraging the Congress to take legislative action directed toward finding new ways of moving more farm commodities into foreign countries.

Legislative action came with the passage of landmark legislation in 1954. Public Law 83-480, eventually known as the Food for Peace pro-

---

24 Pub. L. No. 75-430, 52 Stat. 31 (1938).

25 *Id.*

26 *Id.* (codified as amended in scattered sections of 7 U.S.C.).

27 *Cf.* CONGRESSIONAL QUARTERLY SERVICE, *supra* note 15.

28 *Id.*

29 For a year-by-year description of the post-war legislative battles over farm policy, see CONGRESSIONAL QUARTERLY SERVICE, *supra* note 15.

30 *Id.* at 665 (U.S. agriculture policy 1945-64).

gram, was signed into law on July 10, 1954, by President Dwight D. Eisenhower.[31] Its goal was evident—the expansion of farm exports.

To achieve this goal, Public Law 83-480 provided authority for selling surplus farm commodities to nations in need of food on concessional terms, or in cases where repayment was unlikely, authority to give grants of food directly to international organizations that would feed hungry people in other countries.[32] Under title I of the 1954 Act, food commodities could be sold to other countries on twenty and forty year loans at interest rates as low as 2 or 3%.[33] Under title II of the Act, grants of food could be made available for humanitarian purposes.[34] As recently amended, title III of the Act provides that a loan will be forgiven if a country can agree to use the funds generated from the sale of title I commodities for agricultural development activities.[35] Under all titles combined, the United States has transferred more than $33 billion in farm products to more than 100 countries since the Act's inception in 1954.[36]

In retrospect, the passage of Public Law 83-480 represented much more than the establishment of a surplus disposal program, which was how it was often viewed at the time it was passed. In hindsight, it is clear that the 1954 Act represented a turning point in U.S. farm policy, a shift away from the supply reduction programs of the 1930's where the approach had been to remove excess crop acres from production to balance supply and demand. While acreage control programs continued after 1954, there was a constant effort to expand exports through the provision of more export credit and the expansion of other types of overseas market development programs.[37] These efforts finally paid off in the early 1970's when world markets absorbed all the output U.S. farmers could produce at the time. Moreover, when world market demand reached even higher levels after 1972, farm output was able to meet this demand because of the decisions in the early 1950's to encourage more exports. Had the legislative decision earlier been to limit production through

[31] Agricultural Trade Development and Assistance Act of 1954, Pub. L. No. 83-480, 68 Stat. 454 (1954). The Food for Peace title came with the enactment of the Food for Peace Act of 1966, Pub. L. No. 89-808, 80 Stat. 1526 (1966).

[32] Pub. L. No. 83-430, title I, 68 Stat. 454 (1954).

[33] *Id.* at title I.

[34] *Id.* at title II.

[35] Title III of Pub. L. No. 83-480 was amended by section 211 of the International Development and Food Assistance Act of 1977, Pub. L. No. 95-88, § 211, 91 Stat. 548 (1977).

[36] FOREIGN AGRIC. SERVICE, U.S. DEP'T AGRIC., FOOD FOR PEACE, 1981 ANNUAL REPORT ON PUB. L. NO. 83-480 (1982).

[37] Another example of Congressional interest in expanding farm exports during this period was the Congressionally mandated transfer of the U.S. corps of agricultural attachés from the jurisdiction of the U.S. Department of State to the U.S. Department of Agriculture and the establishment of the Foreign Agricultural Service in the U.S. Department of Agriculture. Act of Aug. 28, 1954, ch. 104, title VI, §§ 601-608, 68 Stat. 908 (1954) (codified at 7 U.S.C. § 1761-1768).

more stringent quota programs, U.S. farmers would have been in a weaker position to take advantage of the upsurge in world demand. More recently, the resourcefulness of American farmers has led to a further expansion of production capacity and to legislative concern over how to enlarge farm exports still further. This issue is likely to remain a high priority in future farm legislation.[38]

II. IMPACTS ON OTHER COUNTRIES

The various types of farm programs implemented in the United States have impacted not only on the U.S. farm economy but also on the agricultural economies of other countries. One type of impact came from federal farm price support measures.[39] A second type of impact results from the restrictions placed on imports of food items into the United States.[40] A third type of impact comes from the extension of technical assistance to agricultural sectors of other countries.[41] A fourth type of impact arises from the competition that U.S. export programs interject into global commodity markets.[42]

The impact of U.S. farm price support programs on global commodity markets is of relatively recent vintage. Originally, these programs affected primarily domestic markets, stabilizing the prices of major farm commodities received by producers in the United States. More recently, though, as U.S. farm exports have grown, domestic market stabilization programs have become a major force in stabilizing world commodity markets. As this shift has taken place, producers in other exporting countries have gained much the same benefits from U.S. price support programs as have U.S. farmers.

In an operational sense, the benefits to producers in other countries came about as their grain marketing boards began to realize that American support prices acted as a floor for world commodity prices whenever excess supplies were available. This situation provided the grain marketing boards of countries like Australia, Canada, and Argentina with a new opportunity. During periods of surpluses, they could offer their supplies of a commodity to world buyers at a little less than American support prices and, with this strategy, sell their supplies while American farmers stockpiled theirs. As a result the United States often ended up carrying an inordinate share of the world's excess supplies of major farm

38 For a more extensive description of the evolution of U.S. agricultural power, see L. MAYER, THE EVOLUTION OF AMERICAN AGRICULTURE FROM A DOMESTIC TO AN INTERNATIONAL INDUSTRY, S. REP. NO. 263, 98th Cong., 2d Sess. 70 (1984).

39 *See infra* notes 43-48 and accompanying text.

40 *See infra* notes 49-63 and accompanying text.

41 *See infra* note 64 and accompanying text.

42 *See infra* notes 65-74 and accompanying text.

commodities.[43]

The effect of this complex price support/sales strategy relationship has been most noticeable in wheat. Over the past decade, the harvested area of wheat in competitor countries had expanded steadily (appendix table 2). During the 1970's, this expansion was in response to strong world demand and rising wheat prices. After 1980, however, the global market for wheat stabilized as economic recession cut into the capacity of importing countries to purchase more wheat.[44] As demand slackened, world trade in wheat stabilized. Despite this, the total area of harvested wheat in Argentina, Australia, Canada, and the European Community continued to increase.[45]

With larger areas harvested, these countries also exported more wheat. This was especially true after the United States placed a partial embargo on sales of grain to the Soviet Union on January 4, 1980.[46] That embargo gave other exporting countries an opportunity to replace American suppliers. When the 1981 Farm Bill raised American support prices substantially,[47] this opportunity was extended. Other wheat exporting countries used this advantage to replace the United States as a supplier of wheat to some importing countries. As the data in Table 3 confirms, wheat exports from competitor countries climbed steadily after 1980 while U.S. shipments fell. Much of this shift can be traced to the inflexibility of U.S. wheat support prices.[48]

A second major influence of American farm programs relates to controls placed on food items imported into the United States. Under authority provided in section 22 of the 1933 Agricultural Adjustment Act,[49] imports of several basic commodities—those eligible for price support coverage—can be limited by quotas and fees.[50] Before restrictions can be imposed under section 22, the Secretary of Agriculture must determine that imports are a threat to a price support program, and so notify the President.[51] The President in turn then directs the International Trade Commission to conduct an investigation and report back its

---

43 The U.S. carried 37% of world grain stocks between 1981 and 1984. FOREIGN AGRICULTURAL SERVICE, *supra* note 13.

44 *Id.* at Table 2.

45 *Id.*

46 *Id.* at Table 3.

47 Agriculture and Food Act of 1981, Pub. L. No. 97-68, title III, 95 Stat. 1213, 1221 (1981).

48 Some analysts argue that lagging wheat exports were caused by the overvalued dollar and the global recession that ensued after 1980. These undoubtedly were of influence. However, the inflexibility of support prices prevented market prices from adjusting to the other problems. For arguments in favor of flexibility in support prices, see Shuh, *Future Directions for Food and Agricultural Trade Policy*, 66 AM. J. AGRIC. ECON. 242, 242-47 (1984).

49 *See supra* note 18 for the legislative history of section 22.

50 *See* Agricultural Adjustment Act of 1933, ch. 25, 48 Stat. 31 (1933).

51 *Id.*

findings along with its recommendations.[52] The President can then follow those recommendations or take actions different from those which the Commission recommended.[53]

Under authority contained in section 22, imports of a wide range of commodities have been limited. The dairy industry, which originally pressed for passage of section 22, has long been the beneficiary of import restrictions on dairy products.[54] Sugar is another commodity that has had quotas imposed on imports to protect its price support program.[55] At times in the past, both cotton and peanuts have had imports limited by actions under section 22.[56]

The impact of section 22 on other exporting countries is mixed. The direct effect is to limit the amount of a commodity that any one country can ship into the United States.[57] A second effect, however, is that an exporting country receives a higher price, up to the support price, for the commodity it ships to the United States. This price is substantially higher than it would receive on the world market. While it likely would sell a larger quantity in the absence of a section 22 quota, it would also receive a lower price. Whether this represents an overall gain or loss depends on the size of the quota and the price differential between world markets and U.S. markets.[58]

Another major imported food item over which there has been extensive public debate both in the United States and with foreign suppliers is red meat. Under the Meat Import Act of 1964,[59] import controls could be imposed on certain fresh, chilled, and frozen beef, veal, mutton, and

---

52 *Id.*

53 *Id.*

54 Restrictions on dairy imports are administered by the U.S. Department of Agriculture which is responsible for allocating a global quota among all supplying countries in a fair and equitable manner. Cheese is the major imported dairy product although imports of casein have caused substantial dairy industry concern in recent years. For a description of the casein problem, see ECON. AND STATISTICS SERVICE, U.S. DEP'T AGRIC., STAFF REPORT NO. 81-5521, U.S. CASEIN AND LACTALBUMIN IMPORTS, (1981).

55 Importation of Sugar Free from Quotas, 7 C.F.R. § 6.100 (1984).

56 Proclamation 3428, 26 Fed. Reg. 8535 (1961) (cotton); 26 Fed. Reg. 8560 (1961) (peanuts).

57 7 U.S.C. § 624 (1982).

58 Sugar is an interesting example. After the sugar import quota program was established following inclusion of a sugar price support program in the 1981 Farm Bill, Pub. L. No. 97-68, title III, 95 Stat. 1213, 1221, exporting countries reacted cautiously. The new program set the price support in the United States about three times the world price for sugar. The quotas guaranteed each supplying country the right to sell a specified quantity of sugar to the U.S. at about the support price. More recently, however, domestic production of sweeteners has increased and the import quotas have been reduced. Exporting countries, fearing further decreases and the prospect of losing the U.S. market in the future, are beginning to question the whole sugar price support/import quota program.

59 Pub. L. No. 88-482, 78 Stat. 594 (1964).

goat meat products.[60] This authority had generally been used only indirectly. In years when imports of red meat appeared to be in danger of exceeding quota levels, the U.S. Government used the prospect of import quotas as leverage to negotiate voluntary restraint agreements (VRAs) with supplying countries. VRAs ensure that the total exports bound for the United States from other countries do not exceed quantities established by law.[61]

While voluntary restraint agreements achieve the same goal as formal import quotas, they are generally viewed as less onerous in an international trading sense. More specifically, VRAs are considered to be less in conflict with U.S. obligations and responsibilities under the General Agreement on Tariffs and Trade.[62] While meat exporting countries would prefer no restraints to VRAs, the current U.S. meat import law does not allow this possibility when imports of red meat threaten to exceed the specified quota amounts.[63]

Technical assistance to developing countries is the third major area where the United States influences world food conditions. Under programs funded by the Agency for International Development and administered by the Office of International Cooperation and Development in the USDA, developing countries are assisted in becoming more self-reliant in producing food and fiber to meet the needs of their growing populations. As the annual report on these activities points out: "Assistance to developing countries covers the full range of USDA experience and know-how."[64]

The payoff to U.S. technical assistance programs for the agricultural sectors of other nations is long term and differs from country to country. For countries with a strong development potential, technical assistance in agriculture can raise farm productivity and release labor to industrial sectors. If industrial production grows, incomes generally rise and the demand for food increases. These increases often outstrip internal increases in food production and lead to growing imports of food. In other countries, the rate of population growth is so rapid that increases in internal food production is essential to prevent malnutrition or even starva-

---

60 *Id.* § 2. For a description of the current U.S. Meat Import Law, see FOREIGN AGRIC. SERVICE, U.S. DEP'T AGRIC., FOREIGN AGRIC. CHANGES IN U.S. MEAT IMPORT LAW (Supp. 1980).

61 Authority for negotiating voluntary restraint agreements was given to the President by the Agricultural Act of 1956, Pub. L. No. 540, § 204, 70 Stat. 188, 200 (1956).

62 General Agreement on Tariffs and Trade, *opened for signature* Oct. 30, 1947, 61 Stat. A3, T.I.A.S. No. 1700, 55 U.N.T.S. 194. U.S. obligations under the GATT are outlined in GENERAL AGREEMENT ON TARIFFS AND TRADE, BASIC INSTRUMENTS AND SELECTED DOCUMENTS (4th Supp. 1969).

63 Procedures for calculating each year's quota are specified in the Meat Import Act of 1979, Pub. L. No. 96-177, § 2, 93 Stat. 1291 (1979).

64 OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT, U.S. DEP'T AGRIC., USDA INTERNATIONAL TECHNICAL ASSISTANCE ACTIVITIES 1983 (Dec. 1983).

tion. U.S. efforts in these situations must be characterized more as humanitarian than as having any real prospect of economic payoff.

The fourth and final means discussed here by which the United States influences agricultural production in other nations is through programs that expand commercial farm exports. One set of programs with potential impacts on other countries are the export credit programs administered by the USDA.[65] Under these programs, credit is extended to countries that purchase U.S. farm products. Two basic types of credit programs are available. Under a direct credit program, funds from the Commodity Credit Corporation are extended directly to other countries for the purchase of U.S. farm commodities. Repayment of these funds is directly to the U.S. Treasury when repayment is due.[66]

A second type of export credit is provided through a credit guarantee program.[67] Under this program, foreign buyers borrow from a U.S. bank and the USDA guarantees a major portion of the loan and interest payments. In case of default or renegotiation, the Commodity Credit Corporation pays off the American bank and then takes over the loan. Any repayment thereafter is made directly to the Commodity Credit Corporation.[68]

A third source of funding for financing farm exports is Public Law 480 which authorizes twenty and forty year credits as well as grants of food to needy countries. Rigorous limits are imposed on which countries can receive funding and grant food aid under these programs.[69]

The major effects that export credit programs have on food importing countries is to increase food supplies and relax pressures on internal food prices and markets.[70] For some countries, this means more time in which to develop programs for increasing their own food production.[71] For other countries, the added food supplies have allowed greater efforts at industrial production.[72] As export earnings have increased, the need

---

[65] SUBCOMM. ON OVERSIGHT AND INVESTIGATIONS OF THE HOUSE COMM. ON ENERGY AND COMMERCE, 98TH CONG., 2D SESS., SERVICES FOR EXPORTERS FROM THE U.S. GOVERNMENT 7-9 (Comm. Print, 1984) (prepared by Cong. Research Service).

[66] *Id.* at 9.

[67] *Id.*

[68] *Id.*

[69] Pub. L. No. 83-480, 68 Stat. 454 (1954).

[70] Examples abound but Pakistan illustrates the point. In the mid 1970's, annual production of wheat was falling about nine million tons short of consumption. To cover the shortfall, the government of Pakistan requested P.L. 480 assistance and agreed to undertake policy reforms designed to increase internal production which were successful. For a further description of the Pakistan experience see the remarks of J. Bloch, Food for Peace - What have We Learned in Thirty Years?, 8-9 (Apr. 10, 1984) (unpublished speech delivered at Grinnell College available in Case Western Reserve Law Library).

[71] *Id.*

[72] *Id.* at 12.

for credit to purchase food has lessened. Finally, the extension of credit to some countries simply facilitates trade in foodstuffs much like trade in other products.[73]

U.S. export credit programs also have potential effects on other food exporting countries. In general, though, such impacts are viewed as reasonable. This is because other exporting countries also provide export credit to countries that purchase their farm products and the terms of this credit are often more favorable than the terms extended by the United States. The U.S. views its export credit programs as necessary to meet this competition but not designed to increase competition.[74]

IV. IMPACTS AND IMPLICATION

American agriculture is widely admired around the world despite the strong competition it poses for other countries. Among the reasons often cited are the consistent increases in productivity, continuous improvements in efficiency, geographical diversity that protects against crop failures, and willingness to stockpile supplies of commodities to cover shortfalls in other parts of the world.

The impact of federal agricultural policies that have helped guide the U.S. agricultural sector in these directions has not always been positive for other countries. Despite this, however, other countries generally recognize that world food security is vastly improved by the existence of this tremendous production potential in a country that follows principles of free trade.

As one visits other countries, whether it be a country that imports, exports, or is just self-sufficient in food and fiber, the appreciation for what the United States has achieved in agricultural production and marketing is evident. Perhaps only in the United States is the food security associated with this production potential taken for granted.

In the final analysis, of course, the major benefits from our nation's farm policies have accrued to food and fiber consumers in the United States. In an open market system, the gains of technology and improved efficiency to any sector are ultimately passed on to consumers. Moreover, not only have U.S. consumers benefited from advances in science and technology but, in what may be the most significant impact of U.S. agriculture on other countries in recent years, the expansion of exports has meant that some of these gains are shared with consumers in other countries.

---

[73] Twenty-five countries purchased U.S. foodstuffs with the help of U.S. guaranteed credit during fiscal 1984. FOREIGN AGRIC. SERVICE, U.S. DEP'T AGRIC., MONTHLY STATUS REPORT FOR COMMODITY CREDIT CORPORATION PROGRAMS (Sept. 1984).

[74] Rower, *Credit Competition Intensifies in World Markets*, in FOREIGN AGRIC. SERVICE, U.S. DEP'T OF AGRIC., FOREIGN AGRICULTURE (1982).

APPENDIX

Table 1. World Agricultural Trade, 1970, 1980, and 1983.

Commodity	1972	1977	1983
		billions of dollars	
Total	66.2	152.6	197.6
Livestock and Products	18.1	35.1	49.7
Cereals	10.3	24.1	39.1
Vegetables, Fruits & Nuts	9.4	26.4	37.2
Beverages	7.5	21.7	20.9
Feeds (meal) and Fodder	2.2	6.7	10.4
Sugar	3.4	7.6	7.7
Soybeans	1.7	5.4	6.8
Cotton	3.1	6.0	6.6
Tobacco	1.7	3.0	4.2
Wool & Rubber	2.3	5.8	6.5

Source: United Nations. Food and Agricultural Organization. Rome.

Table 2. Wheat area harvested in U.S. and competitor countries, 1970 to 1983.

Year	United States	Total Competitor	EC	Canada	Australia	Argentina
			(million of hectares)			
1970	17.6	26.1	10.9	5.1	6.4	3.7
1975	28.1	34.8	11.4	9.5	8.6	5.3
1980	28.7	40.0	12.6	11.1	11.3	5.0
1981	32.8	42.8	12.6	12.4	11.9	5.9
1982	31.9	44.4	13.0	12.6	11.5	7.3
1983	24.7	46.2	13.1	13.7	12.6	6.8

Source: United States Department of Agriculture. Foreign Agriculture Service. *Foreign Agriculture Circular (Grains).* FG-17-79. October 16, 1979, and FG-37-83, December 14, 1983.