

Trade in Agriculture Products

by Jimmye S. Hillman

*& Elmer L. Menzie**

Amidst the arguments for tariffs and protection on products which enter the United States, the importance of the export market to our own agriculture is frequently forgotten. This is true also for Arizona. We are quick to ask for tariffs, quotas, and various protective devices, apparently without consideration of the value of the foreign market to Arizona agriculture and related industries.

Trade is a two-way street. Other countries are not likely to reduce their barriers to the food and fiber products of the United States if we insist on maintaining our own trade barriers. Historically, certain United States farm programs have been employed to keep domestic prices higher than world prices, which has resulted

in import restrictions as a necessary part of that policy.

Since 1961, the United States has made considerable progress in adjusting toward competition in world prices and trade and freeing up agriculture so as to permit a flexible trade policy. United States agricultural exports have expanded more than 50 percent since then and in fiscal year 1968, exceeded \$6.3 billion. More than 75 percent of these sales were for dollars, with the rest being sold through special arrangements such as PL 480. Some projections point toward a \$10 billion export market by 1980.

Agricultural exports currently constitute nearly 20 percent of all United States exports and represent a market

for 25 percent of the output of harvested acreage. This market is of special importance to producers of commodities such as wheat, rice, cotton, hides, skins, and dry edible peas because over 50 percent of their production is exported. The United States cotton industry, for example, exported cotton equivalent to almost 60 percent of all farm sales during the year ending June 30, 1968.

While a large number of countries receive United States agricultural products, nearly three-fourths go to 15 countries. Five countries — Japan, Canada, India, the Netherlands, and the United Kingdom — took nearly 50 percent of the total.

Exports Important to Arizona Farmers

All producers of products enjoying export markets tend to receive some benefits. It is difficult, however, to determine an exact relationship by producers or regions. The United

* *Head of Department of Agricultural Economics and Professor of Agricultural Economics, respectively.*

¹ *Economic Research Service, U. S. Department of Agriculture, Foreign Agricultural Trade of the United States, November, 1968.*

also important for vegetable producers. (See table).

Imports not all Competitive

International trade involves imports and it is practically impossible to expect all imports involved to be non-competitive with domestic production. Agricultural imports of the United States in fiscal 1968 were valued at \$4.6 billion, or about 70 percent of the value of our exports. Nearly 40 percent of the items were classified as complementary or non-competing products, such as coffee, bananas, rubber, cocoa, and other such products.

Livestock, meats, fruits, and vegetables are the most important competing import items and have shown the greatest increases. Since these are products of importance to Arizona producers, increased importation becomes a disturbing factor.

Despite the direct confrontation of some imports with Arizona producers, neither the volume nor value alone are adequate to indicate the effects on local producers. For example, of the nearly \$80 million worth of live cattle imported into this country, the greatest number of these live cattle were feeders imported from Mexico and Canada. While this may be described as adverse competition for domestic cattle growers, it is favorable to cattle feeders. Imported feeders help maintain supplies so that feedlots may operate closer to capacity throughout the year and also help to maintain more favorable prices for

the feeding industry.

A large part of the meat imports consist of lower quality canned or processed meat, which tends to compete more with utility animals or cow beef than with the higher quality beef trade. Much of the fruit and vegetable imports enter during the off season when United States production is low.

Conclusion

It is, undoubtedly, difficult for producers to be objective when they are faced directly with competing imports. Nevertheless, it must be recognized that trade is valuable to the United States and Arizona economies and helps to stimulate growth. Trade also is important to other countries of the world, many of which could not survive without it. Protectionism tends to grow on itself, with one restriction leading to another. It reduces world economic efficiency, raises international tensions and, except in the very short run, provides gains for no one.

Internationally, the United States must be both flexible and pragmatic. Agricultural systems must be dealt with as they exist, but every effort should be made to seek changes in the domestic policies of both the United States and other countries which would lead to expanding competitive trade. All countries must be prepared to negotiate elements of both domestic and international trade programs which are adversely influencing world trade.

States Department of Agriculture has attempted to allocate exports by states.¹ On the basis of this allocation, Arizona exports were valued at over \$61 million for fiscal 1968, or approximately 10 percent of the value of production in the calendar year 1967. Nearly 50 percent of these exports were cotton, representing approximately 40 percent of the production of that crop in the state. Exports of feed grains were estimated at over 20 percent of production and fruits about 25 percent. Exports were

Table. Value of Export Share of Major Agricultural Commodities of the United States and Arizona, Fiscal Year 1968.

	Wheat	Feed Grains	Cotton (Excluding Linters)	Tobacco unmanufactured	Fruits and Preparations	Vegetables and Preparations	Livestock and Products	Soybeans	Rice Excluding Paddy Rice	Other	Total
<i>United States</i> (Millions of dollars)	1,192.5	1,000.3	474.8	496.6	287.4	169.2	475.3	750.7	339.2	1,132.1	6,315.1
Percent of total	18.9	15.8	7.5	7.9	4.6	2.7	7.5	11.9	5.3	17.9	100.0
<i>Arizona</i> (Millions of dollars)	2.4	8.1	29.0	—	5.5	6.0	1.9	—	—	8.2	61.1
Percent of total	3.9	13.2	47.4	—	9.0	9.8	3.1	—	—	13.4	100.0

Source: Economic Research Service, USDA, Foreign Agricultural Trade of the United States, November 1968.