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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

November 19, 1964

MEMORANDUM

To: The President
The White House

From: Orville L. Freeman
Secretary of Agriculture

Subject: International Aspects of Agricultural Policy -
Trade and Aid

The interests of American agriculture extend well beyond the borders of our nation.

A. TRADE

Agriculture has, proportionately, a greater interest in the expansion and liberalization of international trade, because a greater proportion of our agricultural production goes into exports than is true of the industrial segment of our economy. Because of this concern for trade expansion, our policies and programs in the years ahead should encompass the following:

1. Firm adherence to our policy of insisting on constructive gains in agriculture as part of our negotiations in the Kennedy Round.
2. Continued and enhanced activities of the Foreign Agricultural Service of the USDA to cooperate in the development and expansion of markets for American products abroad.
3. Concern for economic development and higher standards of living in the developing nations in order that they may become future dollar customers for American farm products.

B. AID

Agriculture likewise shares the concern of all Americans in national security and in international relations to promote peace, progress and freedom throughout the world. American agriculture's potential contributions toward these goals are two-fold, and we have the opportunity

THE WHITE HOUSE

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President's night reading

GER

in the years ahead to direct our agricultural resources toward those goals more effectively than ever before.

1. By gearing our Food for Peace program more constructively toward providing food most seriously needed, and by operating that program in a manner that will best promote economic development in recipient countries;
2. By continuing, improving and expanding our cooperative relationships with the Agency for International Development to the end that agricultural know-how can best be mobilized for technical assistance to enable developing nations to improve their own agriculture.

The Department of Agriculture studies indicate that if we can launch and support adequate programs as indicated above -- and if we can achieve a sufficient degree of cooperation with other nations -- we can, in the decade of the 1960s, both enhance the economic position of the American farmer and also go far toward eliminating the menace of hunger in the free world.

Further Discussion of Above

A. Expanding and Liberalizing Agricultural Trade

1. The most important and immediate position in this matter is adherence to the position you stated so well, in your message of November 17, 1964, to the National Grange, when you reiterated "our determination to obtain a fair and reasonable bargain for American agriculture in the Kennedy Round," and re-stated our firm position that "There can be no successful negotiation that does not include American agriculture as well as American industry."

I would like to emphasize that this position is in the interest of the nation as a whole as well as in the interest of American agriculture. Our comparative advantage in agricultural production is such that if liberalization in this field is denied, the whole principle which forms the basis of liberalized trade is violated, and our balance of payment position would be impaired.

The achievement of more liberalized trade in agriculture would also be a real gain to the free world as a whole.

2. Market development and expansion of exports of agricultural products is becoming more important each year -- as its success in increasing our exports becomes apparent, and as activities extend to more and more products, such as beef. The Foreign Agricultural Service that operates this program, has done a most effective job, but its activities are limited by personnel available. If we are to realize our maximum potential in this area, personnel ceilings must be liberalized so that we can fill more adequately the need for agricultural attaches. The service as a whole should be up-graded so that we can command the services of more highly trained, well qualified people.

In this connection it should be emphasized that this up-grading of the Foreign Agricultural Service will enable us to develop still further our intelligence and reporting on agricultural developments and trends throughout the world, with attendant benefits to plans and programs affecting domestic agriculture, to more intelligent forecasting of trade and commerce in general, and to greater understanding of conditions that affect foreign relations and foreign policy as a whole.

3. This point, listed under "A" because it is positively related to future trade expansion, and is the link between trade and aid, is discussed under "B."

B. Assistance to Developing Countries

1. Food for Peace

Our Food for Peace program has, during its ten-year history, made contributions to developing nations of the world unprecedented in nature and most significant in constructive results. It is unique in the extent to which it contributes to economic well-being at home as well as to relief of suffering and better relations abroad.

During our experience in exporting over \$12 billion worth of foods over these ten years we have learned much, and have developed principles and methods of operation that help to avoid mistakes and to increase the value of the program. Of particular significance has been the increasing extent to which our Food for Peace operations are being directed toward the promotion of economic growth and the development of essential free institutions in the recipient countries.

Two ideas relating to Food for Peace are becoming more clearly recognized, at home and abroad. One is the importance of the

principle you stated so dramatically in your New York speech when you said "A third field of opportunity and danger is our relation to the developing world. I do not believe that our island of abundance will be finally secure in a sea of despair and unrest or in a world where even the oppressed may one day have access to the engines of modern destruction. Moreover, there is a great moral principle at stake. It is not right in a world of such infinite possibilities that children should die of hunger, that young people should live in ignorance, that men should be crippled by disease, that families should live in misery, shrouded in despair."

Public opinion in the United States is, I believe ready for a program directed toward eliminating hunger as one of the four horsemen that threaten mankind. As you have so often said, for the first time in history it is possible to conquer this -- man's oldest and most universal enemy. I can think of no greater role in history than leadership -- now possible for our nation to give -- in winning this war; leadership in another emancipation proclamation -- emancipation from hunger -- to free two-thirds of mankind.

The second concept, now being more fully recognized, is that while hunger cannot be conquered solely by donations of food, such donations will have a significant -- and essential -- role for many years ahead. Coordinated with programs of assistance and encouragement for improving agriculture in undeveloped areas, Food for Peace loses its characteristics as a relief operation and becomes an investment in economic growth. It then helps to eliminate a nutritional deficit -- itself a most worthwhile goal -- as it contributes to the larger goal of accelerated economic growth. To seek to eliminate the nutritional deficit apart from the larger goal would be to treat the symptoms rather than the disease.

The USDA now has its own task forces working on recommendations for gearing our Food for Peace program more directly toward economic development in the recipient countries, and toward eliminating any tendency such programs might have to hold back the massive agricultural development that is so much needed in most of those countries. (Attachment I presents a preliminary summary of our approach.)

Two other developments are needed if the United States is to assume a growing role in a world-wide development program using food aid.

First, it must be willing to make commitments for a long enough time ahead so that it can reasonably expect the developing nations to gear their own planning and development to such commitments.

Second, the United States must modify the limitations that now tie our Food for Peace programs to the disposal of surpluses of specific commodities, and replace these limitations with a concept that encompasses our surplus capacity to produce. Such a policy would enable us to use that surplus capacity to produce those commodities most needed and most useful to our Food for Peace program.

In general this policy would mean the production of more high protein foods, not only non-fat dry milk solids but vegetable proteins such as soy grits, peas and beans. In many instances it would mean edible fats and oils.

This modification of our Food for Peace policy would, I believe, have immense popular appeal. It could be tied to programs that would improve the position of certain segments of our farm economy -- such as the dairy industry. We are working on various alternative programs, developing estimates of how much they would cost in relation to how effective they would be. (Attachment B is a preliminary report for Non-fat Dry Milk.)

We are also developing legislative proposals that would be needed if this modification in our policy is accepted by this Administration.

2. Technical Assistance

Nearly four years ago I submitted to various officials in the U.S. Government a statement on how American agriculture can make its maximum contribution to the Foreign Aid program in which I noted that "such potential contributions include both agricultural commodities and invaluable know-how." Since that time we have made great progress within the Administration in developing interdepartmental relationships under which AID can make most effective use of the USDA, with its resources of personnel and know-how for agricultural development. We have set up, within the Department, the International Agricultural Development Service, through which we can make our maximum contribution.

Further progress in this direction can and should be made. Such progress may require a liberalization of personnel ceilings.

It would gain immensely by public recognition, on the part of the President, of the importance and value of such cooperation. It has already gained much from your declaration in New York, that you would "propose steps to use the food and agricultural skills of the entire West in a joint effort to eliminate hunger and starvation."

There is no prospect that our aid to agriculture in these developing countries will be detrimental to our export interests. The great majority of the developing countries are tropical and sub-tropical with staple crops quite different from ours. Then too we have a much more favorable man-land ratio than do the densely populated developing countries. The available evidence shows quite clearly that the more we help these countries develop the greater the market potential for our farm products will be.

I would conclude this memorandum with an emphasis on two points.

First, I believe this is the time for a breakthrough in our program to make the best use of our abundant agricultural productivity to contribute to a Great Society at home and abroad. This is true because (1) of your great victory at the polls and your consequent position of leadership; (2) the American public is, I believe, ready to support such leadership toward the goal; and (3) the goal is within reach. A recent Department study, "The World Food Budget, 1970" projects a nutritional deficit valued at \$2.5 billion for the Free World diet-deficit countries in 1970. The impending deficit would disappear if the necessary steps to use food aid in economic development were taken by both surplus and deficit countries.

A second point I would like to make relates to international, multi-lateral efforts toward this goal. Such efforts were implied in your New York speech when you referred to "a joint effort" of "the entire West." Such efforts have had a beginning in our relationships with the FAO, the World Food Program, and other United Nations agencies.

I believe that, while the major efforts in the years just ahead will be carried out under our bi-lateral Food for Peace program, there is also a very important role to be played by multilateral effort. The contributions of the United States should be more widely recognized by other "rich nations" as well as by developing nations. The former should be encouraged to do their share.

I also believe that there can be developed a real coordination between multilateral and bilateral programs.

Responsibility for planning and policy involving this aspect obviously centers in the Department of State and AID; but, because in this

field Agriculture has such a significant part to play, I would hope that we can participate in and contribute to the planning and formulation of policies with regard to the leadership this Nation might take in a world-wide effort toward emancipation from hunger. We have cooperated wherever possible, and stand ready to cooperate in any step you may decide to take to reach this goal.

ATTACHMENT I

An Approach to Maximizing the Value of Food for Peace in Contributing to Economic Development in Recipient Nations

Problems of malnutrition as evidenced in most less-developed countries are closely associated with income levels. Not one of the countries in the developed regions of North America, Western Europe, Eastern Europe (including the Soviet Union), and Oceania had any nutritional deficits. But some 50 countries containing half the world's people in the less developed regions of Asia, Africa, and Latin America had deficit diets by at least one of the basic nutritional indicators commonly used to measure adequacy of diets. Clearly, the problem is how to raise the level of living.

A solution to the food problem of the diet-deficit countries requires the simultaneous solution of several related problems. These problems are (1) purchasing power of consumers is inadequate (2) the ratio between prices farmers receive for their products and the cost of purchased inputs, such as fertilizer is unfavorable (3) agricultural development, lagging in many countries, is retarding the over-all rate of economic growth (4) farmers, often subsistence producers, are not a part of the market economy (5) governments in many diet-deficit countries, confusing industrialization with development, give little attention to agriculture. We believe expanded food aid, properly administered, can contribute to the solution of all these problems.

In order to expand food aid, it will be necessary, in many countries, to adopt a two-price system, lest additional food shipments depress prices and become a disincentive to internal production. Prices received by farmers should be raised and those paid by consumers lowered. Food aid could help underwrite the difference between the two price levels. The method of applying this general principle would vary with individual countries.

For instance, lower food prices to consumers in general, or to lower income group in particular, would help to improve diets and eliminate the nutritional deficit. Local currencies accruing from concessional food sales could be used to subsidize the cost of fertilizer to farmers, at least in the early stages of development or until food shortages subside.

Higher prices to producers would have several beneficial effects. It would, improve the ratio between prices received by farmers and the cost of yield-raising inputs, stimulating the use of such things as fertilizer. It would make producing for the market more profitable, drawing many subsistence-type producers into the market economy.

Food aid can also be used as a lever to encourage recipient countries to improve their agriculture. A certain share of accruing currencies

could be set aside for investment in rural public works including drainage, terracing, small irrigation development, access roads and local food storage facilities. Currencies could also be used to finance local agricultural adoption centers, vocational agricultural schools, (schools and adoption centers could be combined), rural credit institutions and other facilities needed to modernize agriculture.

Local currencies could also be made available on special long-range credit terms (those made on reclamation development in the Western United States did not require initial repayment or start accumulating interest until 10 years after loans were made) to firms investing in the production of much-needed inputs such as fertilizer, insecticides and other farm supplies. Local currencies could also be set aside for improvement of port, transportation and market facilities.