U. S. DEPARTMENT OF AGRICULTURE EXPORT PROGRAMS AND CHALLENGE

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THE AGRICULTURAL TRADE ENVIRONMENT

Prosperity in the U.S. agriculture sector is highly dependent on international trade. This paper outlines the programs of the U.S. Department of Agriculture designed to enhance exports of farm commodities, and explores the opportunities and limitations for future exports.

The global economic recession of the early 1980s adversely impacted United States agriculture. By 1980, the United States was exporting the output from two of every five harvested acres. While the U.S. experienced downturns in export volume during previous periods of weak economic growth worldwide, the magnitude of the 1980s decline was unprecedented. Between 1981 and 1983 the net agricultural trade surplus of the United States declined by over $8 billion as the volume of exports dropped nearly 12 percent.

During the 1970s, American agriculture truly became international. As a result, farm exports are crucial to the U.S. agricultural economy and so important to the nation that export policy deserves serious attention. The policy of expanding international agricultural trade has been embraced over the years by both Republican and Democratic administrations alike. Benefits accruing to the United States from the growth of foreign markets include:

-- For farmers, foreign markets rapidly absorbed excess domestic production capacity during the 1970s temporarily ending a half-century of chronic commodity surpluses, low prices and low farm income;
-- For the nation, farm exports contributed substantially to the balance of trade -- and the agricultural commodities export surge in the early 1970s fortunately coincided with the steep increases in petroleum prices. Exports also contribute to the nation's economic health through job creation;
-- International trade expansion also benefited consumers. Production efficiencies achieved by producers are ultimately reflected in lower food prices. USDA's Economic Research Service (ERS) estimates that the economies of size resulting from participation in export markets have reduced U.S. food prices by 15 to 20 percent.

Expanding world trade has also benefited other nations. During the 1950s and 1960s, substantial increases were recorded in global food consumption and improved diets for much of the world's population. Production outside the United States also rose substantially. Most countries would not have been able to support the dramatic gains in consumption through increases in indigenous production alone. Much of that consumption gain was possible only through increased global trade.

World trade in agricultural products increased at more than twice the rate of production and consumption growth during the post-World War II period. The value of world trade tripled between the late 1940s and the early 1970s, and then doubled again by the end of the 1970s decade. The volume of world trade in grains rose by more than 7 percent per year, while trade in oilseeds and products increased by more than 9 percent per year.

Rapid growth in export markets was a unique phenomenon of the 1970s. Rapid expansion began in the early 1970s when a number of forces converged to abruptly increase demand. The United States was the largest single supplier of this expanding global trade. As total world food demand and trade rose dramatically, the United States was able to capture an increasing share of the growth because of large grain production and competitive prices. The volume of U.S. grain and oilseed exports more than doubled in the 1970s alone, while the value of U.S. agricultural exports increased sixfold -- attributed to both increased volume and rising prices.

Forecasters focusing on the 1980s concluded that, despite slower population and economic growth, global demand for agricultural products was likely to expand at a rate of 2.5 to 2.7 percent annually and that increases in the volume of products demanded would be 25 to 50 percent greater than the increase of the 1970s.

This, however, has not materialized. The 1980s have been marked by dramatic swings in U.S. grain supplies. The drought of 1980 reduced crops and cut stocks to low levels. However, two subsequent excellent growing seasons replenished supplies and then pushed them to the other extreme of burdensome surplus. Coinciding with these big harvests, demand of agricultural products waned during the early 1980s, largely due to the worldwide recession that began in 1980. Although the U.S. economy expanded during 1983, economies in the rest of the world remained relatively weak.

The causes are multi-faceted. Slow economic growth in many importing countries has restricted import demand. The increased value of the dollar has made U.S. commodities

more expensive in terms of foreign currencies. Expanding production in competitor countries together with the use of export assistance, including direct export subsidies; has sharply increased competition in world markets. As a result, many traditional customers of the U.S. are not only buying less because of economic conditions but their reduced purchases include more competitor's products.

Much of the increase in the value of the dollar is directly attributable to the inability to bring the U.S. Government budget deficit under control. As long as financial markets perceive that private investment must be limited in order to finance large federal deficits, there will be an expectation of higher interest rates to ration the available funds. Long-term interest rates are not expected to soften in this environment and the flow of foreign capital and goods into the United States will continue, thus maintaining the strong position of the dollar.

It became apparent in 1982 that U.S. farm programs for both demand expansion and supply reduction had to be reformulated. Two consecutive years of record cereal crops, together with reduced demand, depressed grain prices during 1981-82. Farm income declined and farm bankruptcies rose. As a consequence, U.S. government payments for farm programs -- which had averaged $3-$4 billion annually in the 1970s -- rose to $5 billion in fiscal 1981, doubled in 1982, and hit a record $22 billion in 1983.

The characteristics of U.S. agricultural and trade policy indicate that it is more open and interdependent with world markets than during the 1950s and 1960s. The volume of agricultural imports and exports has grown both absolutely and relative to U.S. production. This growth is in response to both demand factors as well as policy measure that affect supply and facilitate exports.

Real (adjusted for price inflation) loan support rates for grain trended generally downward between 1950 and 1982, although there was a rather abrupt change in 1976. In only four years between 1960 and 1983 did the nominal loan rate for both wheat and corn exceed the season average farm price. Beginning in 1963 deficiency payments, based on target prices, offset some of the declining income support of lower loan rates. However, this does not impact international trade as do high loan rates.

More flexible loan rates and a shift to supporting farm income through deficiency payments has contributed to greater variation in prices and income to U.S. producers. An increasing portion of this price variability has been transmitted from other market economies due to a more open trade policy and greater global interdependence. Several countries essentially shield their producers and consumers from international market price changes through state trading, quotas, two price systems, variable levies, etc.

Price variability in the U.S. is expected in a free market economy that, while imposing some added cost in the form of risk, also offers the opportunity for profit. In this sense the more open economy facilitates commercial relationships. In fact, most U.S. business firms do not want government intervention. In other countries, any form of instability, including price variation, is often looked upon as an evil to be avoided. Thus, governments of other countries intervene in order to stabilize prices.

What is the U.S. policy response to the 1980s agricultural export challenge? Demand enhancement through export promotion is a major type of policy initiative designed to balance production and consumption of major agricultural commodities. Various credit programs, providing loans on concessional terms directly by the government and on commercial terms with government guarantees, direct loans, and other expenditures of nearly $7 billion were made in 1983 with the stated goal of maintaining the U.S. share of overseas markets.

The Reagan Administration also directly subsidized exports. This was executed on a limited basis and will continue in the future only in markets where the Administration feels that U.S. agricultural exports have been displaced by unfair competition. Congress will push to expand the use of subsidies to a wider array of commodities to aid domestic producers in areas such as dairy and poultry. Actions to date, such as the U.S. flour sale to Egypt, have been limited and have not precipitated significant retaliation or an all-out trade war with the European Community (EC) and other competitiors. However, a hint of the potential repercussions of an agricultural trade war are evident in the barring of U.S. wheat, cotton and soybean imports by China in retaliation for the unilateral imposition of quotas on Chinese textile imports by the United States. Similar retaliation by the EC, which purchases almost one-fourth of U.S. agricultural exports, would have a devastating impact on the U.S. trade outlook.

FOREIGN AGRICULTURAL SERVICE PROGRAMS

U.S. Government involvement in agricultural trade is the prime responsibility of the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture. Specifically, FAS provides three basic services to support export growth: 1) assemble agricultural and trade information from around the world, 2) acquire and maintain market access for U.S. products in foreign markets, and 3) assist in export market development. Fast, accurate global information on crops and trade is increasingly crucial as U.S. grain farmers rely on exports for one-fourth of their marketing income and on world demand for agricultural products to continue to rise.

The farmer who makes investment, production, and marketing decisions without regard to the world market could well risk bankruptcy. More than ever before, Congress and the Executive Branch, need to know the outlook for world production and trade in making farm legislation and policy decisions. To meet

these needs, FAS has developed a worldwide information network that is based on field reports from agricultural attaches and counselors on agricultural and trade conditions in more than 100 countries. These reports are augmented by crop assessments from computer-aided analysis of satellite and meteorological data. Global information from all sources is processed and analyzed by specialists in Washington and made available to users, both public and private.

The second thrust is market access. FAS works through negotiation and diplomatic channels to maintain and improve access to foreign markets for U.S. agricultural products. The International Trade Policy (ITP) program area of FAS coordinates and directs the Department's responsibilities in international agreement programs and negotiations with a specific goal of expanding world markets for American agricultural products. ITP identifies foreign trade barriers that discourage the export of U.S. farm products; then negotiates, either alone or in cooperation with other U.S. agencies and organizations, to remove or relax these barriers. To facilitate U.S. agricultural export expansion, ITP also conducts analyses of factors affecting trade in individual country markets (which it makes available to interested U.S. exporters) and participates in the development of U.S. legislation to open or expand markets for U.S. agricultural products.

Passage of the Trade Agreements Act of 1979 gave ITP added responsibility in monitoring the implementation of Multilateral Trade Negotiations (MTN), tariff concessions and codes for the conduct of international trade. To this end, ITP initiates and supports work activities on trade and commodity issues that arise in international arenas. It also promotes agreements when agricultural trade and cooperation with centrally planned economies could potentially contribute to developing markets for U.S. agricultural exports. To date, program activities in these areas have included development of a comprehensive U.S. strategy for dealing with EC trade practices affecting U.S. agricultural exports and negotiations with Japan to remove or liberalize non-tariff barriers to U.S. agricultural products.

Section 22 of the Agricultural Adjustment Act of 1933 provides for restriction of imports which would jeopardize implementation of commodity support programs by the Department of Agriculture. FAS is responsible for administering this legislation. Tight quantitative import controls currently exist on sugar, cotton, peanuts, and most dairy products. Given sound information and access to the market, the final requirement for successful exporting is market development and maintenance. FAS has a range of programs to help producer groups and private exporters increase foreign sales. Primary among these are the market development and credit programs.

The cooperator program is a continuing, comprehensive market development program conducted with over 50 non-profit agricultural producer and trade groups that are organized along commodity lines. These market development cooperators stimulate exports of their commodities by technical assistance, trade servicing, trade team exchanges, and direct consumer promotion in foreign markets. The work is supervised by FAS and funding is shared.

By the nature of their work, the cooperators have been at the forefront in establishing foreign markets for U.S. agriculture. Accomplishments under this program range from turning the people of Korea, Taiwan and Japan into major consumers of wheat to joint projects under way or planned to increase China's use of wheat, seeds, feed grains and other U.S. agricultural products.

FAS also provides a number of services for individual companies. One is the Trade Opportunity Referral Service (TORS), a computerized system that relays foreign buyer product requests to appropriate American suppliers. A parallel service (CONTACTS) is also available in which U.S. firms can offer products for sale in a listing distributed to foreign buyers. FAS also sponsors trade shows for foreign buyers and in-store promotions in foreign markets to attract attention to U.S. foods. In addition, about 40 private companies are participating in FAS Export Incentive Programs to promote branded foods overseas.

To augment the export assistance provided by U.S. agricultural attaches and counselors overseas, FAS has eight Agricultural Trade Offices fully operational. Trade officers are proposed at three additional locations -- Tunis, Lagos, and Beijin -- where FAS is in the process of acquiring suitable facilities. These 11 locations cover the major trading regions of the world. The trade offices are one-stop service centers for U.S. exporters and foreign importers of U.S. agricultural products. They provide trade leads, trade contacts, space for product displays, and other assistance for U.S. exporters and state export promotion groups traveling overseas.

Within the United States, individual State Departments of Agriculture have become increasingly export-minded. To coordinate and broaden the base of market development activities, FAS works closely with the individual state agriculture departments and with their four regional export organizations, particularly on trade show assistance, and foreign market surveys.

The other major tool for market expansion is the USDA export credit program. Because credit is necessary to market expansion, FAS has integrated the Public Law 480 program and the Commodity Credit Corporation (CCC) export credit and credit guarantee programs into our market development structure.

The link between export credit and U.S. sales of agricultural products overseas is as direct and critical as that between farm exports, farm prices and incomes, and government program costs. The economic well being of the U.S. farm sector and much of the general economy has grown over the last decade to depend on exporting a quarter to a third of U.S. agricultural output. Selling this large

volume of agricultural product in the competitive world markets on a sustained basis has come to depend on aggressive U.S. marketing and large scale credit programs.

Credit was important in the 1970s both in encouraging general growth in agricultural import demand and in ensuring that two-thirds or more of this growth was translated into purchases of U.S. products. However, credit is even more important in the current bearish trade environment. Serious foreign exchange constraints could well abort the recovery in trade that is forseen by late 1984 and 1985. Expanded credits by the major suppliers could ease exchange constraints and improve prospects for a sustained recovery later in the decade. Equally important from a narrower U.S. perspective, increased credit and attractive credit terms are critical if the United States is to improve its competitive position and regain the market share attained during the 1970s.

With economic recovery off to a shakey start in the developed countries after prolonged recession, world economic growth (GNP) and per capita incomes in 1984 and 1985 could well be the highest since 1979. While unlikely to generate a spurt in demand comparable to that of the 1970s, even slow economic growth and the cumulative impact of population growth since the turn of the decade should increase demand for farm products. Agricultural prices are relatively low in many of the largest importing countries because of government policies and stocks heavily concentrated in the exporting countries -- mainly the United States. Increase demand associated with low prices could translate into imports. The first significant increase in international agricultural trade in four years could occur in 1984-85 as a result of this increased demand.

Increased credit will need to be extended to the major agricultural importers to prevent growth in import demand in these countries from being stifled by foreign exchange constraints. Many of the fastest growing import markets of the 1970s face serious exchange shortages that could rule out any return to large-scale commercial importing until the late 1980s. The availability of credit and the terms offered will ultimately determine how much countries such as Mexico and Nigeria will import.

A substantial increase in supplier credits -- possibly even a doubling from nominal 1983 levels -- could pay for itself by accelerating trade recovery. Even large credit programs are likely to prove cheaper than the costly production restraint, stocking, and direct export subsidy programs used by virtually all major exporters. The risk factor is critical since avoiding the expense involved in default is important in keeping credit costs below alternative disposal expenses.

So long as U.S. farm income remains low and estimated exports continue to fall, USDA efforts to identify new creative export programs will continue. Often such programs will be reviewed and developed with other U.S. agencies. Obtaining agreement is often difficult and time-consuming. Developing and implementing such programs must also take account of budget constraints and staff limitations.

The CCC is authorized, under the CCC Charter Act and related legislation, to develop and administer programs in support of American agricultural commodity exports. The CCC Export Credit Guarantee Program (GSM-102) provides all-risk financing guarantee protection to U.S. exporters selling agricultural commodities abroad, on credit terms of up to three years. The transactions must be covered by a letter of credit issued by a bank in the importing country. The U.S. exporter assigns the guarantee protection to a U.S. bank or other U.S. financial institution which provides the export financing. The CCC established all-risk financing guarantees totaling about $2.2 billion in 1982 and approximately $4.5 billion in 1983. Credit guarantee program authority for 1984 stands presently at $4 billion.

During fiscal 1983 a new program was enacted in which interest free direct CCC credit (GSM-5) was combined with the export credit guarantee (GSM-102), roughly in a 1:4 ratio. The program, known as the blended credit program (BCP), was designed to stimulate exports of U.S. agricultural products to developing countries. In brief, the foreign buyer must buy at least four dollars worth of U.S. agricultural products under GSM-102 for every dollar of interest free credit advanced under GSM-5.

The blended credit program for fiscal 1983 was authorized at a level of $1.75 billion, of which $350 million was for interest free GSM-5 with the balance of $1.4 billion in GSM-102 commercial credit guarantees. Of this amount, $818.8 million was approved under GSM-102 and $204.7 million under GSM-5.

Major recipients under the blended credit program thus far are Morocco, Egypt, Yugoslavia, Philippines, Pakistan, Brazil, Portugal and Yemen Arab Republic. Major commodity designations include wheat, vegetable oil, corn, cotton, soybean meal and rice.

FAS manages the Public Law 480 program (also called Food for Peace). P.L. 480 is aimed at long-range improvement in the economies of developing nations through concessional sales of U.S. agricultural commodities. The program also provides outright grants to alleviate hunger in needy countries around the globe.

The P.L. 480 program has four legislative objectives: 1) to develop commercial markets for U.S. agricultural exports; 2) to provide humanitarian assistance; 3) to foster the economic development of recipient countries; and 4) to promote U.S. foreign policy. The authorizing legislation provides two primary authorities by which the United States can provide foreign food assistance. These are the Title I/III long-term concessional sales program and the Title II food donations program. USDA's primary concern and responsibility is with the Title I/III program in which long-term market development is a major consideration. However, the Department's

commodity management interests extend to all aspects of P.L. 480 programming and operations.

Title I of P.L. 480 provides for low-interest, long-term credit to recipients of U.S. farm commodities. Payment is made in dollars, and proceeds from commercial sales are used by the recipient country for agricultural self-help measures and general economic development. Requests for Title I sales are initiated by the foreign government, acted on by FAS and approved or rejected by an interagency committee comprised of representatives of USDA, the Departments of State, Commerce and Treasury, the Office of Management and Budget (OMB), and the Agency for International Development (AID). Actual sales under Title I are made by private U.S. suppliers. Title III permits forgiveness of dollar payments for commodities bought under Title I if the recipient country undertakes specific agricultural and economic development projects with proceeds from the sale of the commodities.

Title II of P.L. 480 provides for direct donations of U.S. farm products in cases of natural disaster or other crises and to combat hunger on a sustained basis. This is accomplished through voluntary relief organizations and the World Food Program.

P. L. 480 decision-making is presently carried out by an interagency committee, the Food Aid Subcommittee of the Development Coordination Committee. Members of the Subcommittee include USDA, State, AID, OMB, Treasury, Commerce and the National Security Council; it is chaired by USDA. Programming decisions by the Subcommittee and its staff-level Food Aid Working Group are made by consensus -- this need frequently causes lengthy delays in programming.

Several smaller export programs are also operated by FAS. These include some sales of dairy products owned by the Commodity Credit Corporation (CCC) to foreign governments. Sales for dollars have been made to Mexico, the only traditional U.S. export market for nonfat dry milk. Also the U.S. is in the process of completing a sale of butter oil and cheese, for local currency, to the government of Egypt. This situation is unique since the CCC can sell these local currencies to other U.S. government agencies for dollars and, thereby, assure that the CCC does not hold nonconvertilbe currencies.

The corporation also entered into a barter arrangement with the Government of Jamaica in 1982 through the General Services Administration for the exchange of dairy products for bauxite. Additional barter arrangements remain under review.

In addition, a donations program of CCC-owned dairy products has been used to a limited extent through Section 416 of the 1949 Agricultural Act. These donations are made to needy people through the auspices of foreign governments or private and public humanitarian groups.

U.S. AGRICULTURAL POLICY ISSUES

The basic factors that worked to weaken the U.S. position in the world market include both the appreciation of the dollar and support programs designed to provide U.S. farmers with a safety net, but are currently working to guarantee competing exporters a built-in profit. The dramatic increase in the cost of dollars during 1980-83 exacerbated the problem for importers of U.S. wheat, corn and other commodities. This rising value of the dollar, combined with high and rising commodity price supports, have kept U.S. prices well above market clearing levels while providing competiting producers with a healthy return. This problem is especially severe for wheat with adverse consequences on stock holding and export market share. This situation is comparable for the other major commodities including feed grains, rice, cotton and oilseeds. As a result, the U.S. share of the world market for farm products moving in international trade, measured in value terms, fell from a high of 19 percent in 1979 to less than 15 percent in 1982-83.

With the dollar unlikely to weaken and other exporters unlikely to pull back on their marketing efforts, U.S. competitive problems are likely to continue unless a more agressive stance is adopted. One approach to increased competitiveness is through expanded U.S. export credit which tends to make the U.S. competitive with other suppliers. The importance of agricultural exports to U.S. farmers and to the general economy cannot be over emphasized nor can a rational set of domestic policies. The main issue at stake is whether export credit and other export enhancement mechanisms will be used as a substitute for or as a complement to a rational domestic farm policy.

At least three factors are important in shaping future U.S. agriculture and trade policy directions. First is the failure of the farmer owned reserve to provide expected increases in market stability. The logic of the reserve was to allow the market to work within the bounds established by the loan rate as a floor and the (mandatory) release price as a ceiling. The reserve apparently serves this purpose well with relatively small stock overhangs but appears to have all the weaknesses of any state stocking scheme when large demand-supply imbalances are present.

Second, macro decisions have also affected agricultural trade, such as the 1973 soybean embargo, the rapid growth of exports to the USSR and Eastern Europe in the 1970s and the 1980 decision to partially embargo grain exports to the USSR. Obviously, such foreign policy decisions are impossible for producers to anticipate and yet they have a significant impact on U.S. farm prices and income as well as on our trading partners.

Third, policy actions taken by other countries also affect the ability of the United States to export. These actions include the growing use of export subsidies by Brazil and the EC as well as the drastic curtailing of imports by governments facing financial difficulties. The sum of all these governmental actions, by the United States and others largely explain the greater variability of U.S. farm income and veils the effects of

U.S. agricultural and trade policies.

The policy debate, particularly with the approach of the 1985 farm legislation, is likely to be hot and lengthy, turning on the fundamental philosophic base upon which U.S. agricultural and trade policy should rest. On the one hand, some will argue that the United States should return to the farm program orientation of the 1950s, with high support prices and rigid production controls maintained through large diversion programs that hold resources, especially land, out of production. Proponents of this policy argue, either explicitly or implicitly, that production for the export market is too costly when all costs are internalized. Therefore the U.S. should turn inward, produce for the domestic market and export only a limited amount to the rest of the world.

On the other side are those who argue that the United States can no longer afford to continue unilaterally an open market, free trade philosophy. This group may argue that the United States should be prepared to use whatever tools are necessary to meet export competition and to engage in whatever trade actions that may be necessary to capture or recapture world markets lost through trade practices of others in the past. This group would further argue that this strategy would lead to free trade in the end as the treasuries of competitor countries become depleted. These countries will then no longer be able to finance these government supported trade practices and will be forced to the negotiating table.

And hopefully, in addition, there will be those that argue for a set of domestic policies that will allow the United States to be competitive in world markets. The objectives of U.S. farm policy must be formulated in the context of both a dual agricultural domestic structure, and an interdependent international market. The performance of the aggregate U.S. agricultural sector in terms of income, asset values and production is somewhat misleading. A large disparity in financial well-being exists among different types of farmers. The 1983 payments under the Payment-In-Kind (PIK) Program amply exemplify this disparity. Farm income has always been an objective of domestic agricultural policy. However, by using price (through the loan and target rate mechanism), the taxpayer provides income support to all farmers on the basis of volume produced, rather than targeting income support to those who are in dire financial need. As 1983 has indicated, the budget implications are tremendous. Major U.S. export competitors simply undercut U.S. export prices, using the U.S. loan rate as a reference price. Thus, first and foremost, the efficacy of traditional commodity programs must be questioned. The changed U.S. agricultural sector brings us to a watershed and offers new flexibility for competing in world markets.

U.S. loan rates, when accompanied by large stocks, set the price in the international marketplace to the competitive disadvantage of the U.S. Thus, the agricultural policies that will be implemented in the 1985 Farm Bill can be formulated in the context of the problems facing the agricultural sector at that time (either over supply or short supply) as well as in the context of the overall economy (budget constraints) or U.S. agricultural policies. U.S. agricultural policies can be formulated in the context of the global economy and the role of the U.S. agricultural sector in the world market.

The first suggests an ad hoc approach to the conflicting and diverse goals of reliable supplier, export expansion, stock reduction, production controls, budget reduction and increased farm income. The latter suggests an approach that explicitly recognizes: 1) the inherent instability of the international market, 2) the macroeconomic policies in the developed and developing world which are crucial to U.S. exports, and 3) significant growth in demand for U.S. products that can come from the international market. This implicitly raises the question of the international competitiveness of U.S. agriculture.

Recognizing the inherent instability -- weather, economic policies, and political actions -- of the agricultural market poses specific questions.

-- Does the United States need a stocks policy to provide a price buffer? If so, what is needed and who is to pay? Should it be the U.S. Government (i.e., taxpayers) all major exporters, all major exporters and importers only?
-- What are the implications of government involvement in supply management, market expansion and trade finance?
-- What are the implications for the United States and its trading partners concerning the present trading system (rules of the game) and potential changes? Specifically, what are the costs of subsidies, bilateral agreements, other trading arrangements and mechanisms, and who benefits?
-- Who should receive the benefits of government farm programs? Of the 2.4 million agricultural production entities in the United States, less than 5 percent produce nearly half of total production and over 71 percent produce only 13 percent of the output. The latter receive little benefit from the commodity programs.

Recognizing the linkages and complexity of U.S. and global macroeconomic policies, additional questions are appropriate.

-- OPEC provided the major portion of liquidity to finance increased agricultural imports by the less developed countries (LDCs) during the 1970s, but are no longer maintaining the necessary cash flow. Barring further oil price increases, what is the role of government and international institutions in facilitating a sufficient flow of capital to these major import markets?
-- What are the tradeoffs in public expenditures and taxation, and what is their relationship to interest rates and the strength of the dollar?
-- How in turn, does the value of the dollar affect U.S. exports?

-- And how do high interest rates affect the LDCs capacity to pay for imports?

In recognizing that growth in the U.S. agricultural sector can come only from increased exports, the critical concern is the competitiveness of U.S. agriculture.

-- Can a U.S. domestic policy be developed that is flexible enough to handle scarcity and oversupply?
-- Is the United States willing to make adjustments, including within the agricultural sector, such that the market price plays a more central role in allocating resources and supplies rather than policies based on traditional interest?

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