

Statement of the Honorable Orville L. Freeman  
Secretary of Agriculture  
before the  
House Committee on Agriculture  
March 8, 1968

Mr. Chairman, Members of the Committee:

There is an old Minnesota saying that a successful fisherman never goes home through the back alley. Therefore I am pleased to be here -- on the front street of our Nation -- to talk about the success of Public Law 480 and to support its extension for three years in its present form.

When I first came to Washington Public Law 480 was regarded as a very useful, practical yet humanitarian food aid program under which we exported our surpluses and helped to feed millions of our foreign friends.

I soon learned, however, that Public Law 480 could be much more than a surplus disposal program or a food aid program.

It became apparent that the program had great potential for helping friendly countries to improve their farms and villages and general well-being so that they could get off the dole and become self-supporting.

And it became apparent that the program had great potential for helping to expand foreign cash markets for our farm products, thereby bringing back dollars to help our farm income and our balance of payments.

The Congress, two years ago, took very wise and very effective action in revising the program so that these potentials could be realized.

I think we have in Public Law 480, as improved in 1966 and as it is constructed and administered at this time, a highly practical program that is both good for us and good for the countries associated with us. It is an excellent program for our times.

Representatives of the Department of State and of the Agency for International Development, who cooperate with the Department of Agriculture in carrying out Public Law 480 join with me in supporting its extension, and will present their own statements later.

As we consider this extension we recognize that every program of the Government must meet the test of whether it is yielding the results that the Congress intended. Public Law 480 meets the test admirably.

The objectives of Public Law 480 are clearly set forth in the preamble to the Act, as follows:

"The Congress hereby declares it to be the policy of the United States to expand international trade; to develop and expand export markets for United States agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States."

Let's take that preamble and use its elements as a check list. Let's see how well Public Law 480 is serving us.

### Expanding International Trade

First, what has been happening to international trade in agricultural products?

During these 1960's, international trade in agricultural products has expanded steadily. Total world trade in agricultural products in fiscal 1960 was \$28.3 billion. In 1967 it was \$33.9 billion.

I do not know of any period in world history when the growth in international agricultural trade has been as great as that of these 1960's. A great share of this expansion has benefitted the United States.

### Expanding U.S. Agricultural Exports

The second part of our test of Public Law 480 has to do with developing and expanding export markets for United States agricultural commodities.

Here, again, there has been no period of American history in which we have done as well in our agricultural export marketing. Public Law 480 is among the important reasons.

Since Fiscal Year 1960 we have pushed total agricultural exports upward from \$4.5 billion to almost \$7 billion.

During that period, commercial exports -- the part we sell for dollars -- climbed from \$3.2 billion to \$5.2 billion, a gain of 62 percent. Shipments in this current fiscal year, both total and for dollars, are holding at high levels.

A very important reason for this spectacular gain is the market development program which is financed out of Public Law 480 foreign currencies.

I would like to comment on the significance of this export success story to our farm and city people, and to the Nation.

For American farmers, exports make up a big and expanding outlet for their production. Our farmers now export two-thirds of their annual milled rice production; over half of their wheat production; a third or more of their grain sorghums, soybeans, cotton, and tobacco; more than a fourth of their flaxseed, and nearly a fourth of their corn. And so on for a large number of other important commodities.

Last year, American farmers harvested 70 million acres for export -- one acre out of every four.

In the absence of export outlets of this magnitude, the problems of acreage adjustment and the support of farm income in our domestic program would be infinitely more difficult.

The benefits of exports are shared by nonfarm people, as well. Hundreds of thousands of workers and businessmen across the country owe part or all of their incomes to the activities created by agricultural exporting -- handling, transporting, warehousing, processing, packaging, freight forwarding, insuring, financing, and related activities. Exporting has, in itself, become a vast industry.

Then there is the matter of balance of payments benefits.

It is not generally known but it is a fact of which we should be very proud that American agriculture, through its export earnings, is today doing more than any other segment of the Nation to hold back the critical outflow of dollars.

This contribution by American agriculture is relatively new. In the early 1960's there was an unfavorable balance in our commercial agricultural trade. Our country's expenditures for agricultural imports were larger than the earnings from agricultural export sales for dollars. At that time nonagricultural exports -- machine tools, airplanes, chemicals, and hundreds of other industrial items -- were carrying the load in our balance of trade.

In the past two years, however, this situation has been sharply reversed.

In 1966 our country's nonagricultural sector had a trade deficit of \$470 million; our agricultural sector had a net commercial trade plus of \$982 million.

In 1967, our nonagricultural trade had a deficit of \$300 million; our agricultural trade had a plus of \$585 million.

Nor is this the total picture. There also are certain financial benefits coming directly from the Public Law 480 program in the form of avoided dollar expenditures, and these have the same helpful effect on the balance of payments as dollar earnings. I am thinking specifically of the way our Government is able to use foreign currencies generated under Public Law 480 to pay various U.S. expenses abroad, including embassy costs, market development financing, and many others. In 1966 these dollar returns came to \$169 million. In 1967 the returns were \$331 million.

So I would emphasize again that our agricultural exports have become a tremendous national asset. It is our agriculture right now that is keeping our Nation's overall commercial trade balance on the favorable side. Public Law 480 is helping agriculture to make this contribution. And as PL 480 contributes to economic growth in recipient countries it builds future commercial markets for American products.

### Encouraging Economic Development

The third part of our test of Public Law 480 has to do with such economic development. Is the program mainly a crutch for the less developed countries -- or is it providing strength to help them stand on their own feet?

This is a critically important question -- and it is one that I would answer by saying Public Law 480 is helping a large number of recipient countries to improve their self-reliance, especially as we operate under the new self-help requirements of the program.

A good test of economic development is a country's improving ability to buy the things it wants in the commercial marketplace. Already a number of countries that once received food aid have become important commercial customers.

The classic examples are, of course, Japan, Italy, and Spain. Under Public Law 480 and earlier aid programs, they received considerable assistance. Today they are among our best cash customers.

Japan in 1956 imported \$370 million worth of American farm products, a third of it under Public Law 480. Today, Japan is buying a billion dollars worth of our farm products annually, all of it for dollars, none of it under Public Law 480.

Italy in 1956 imported \$114 million worth of our farm products, nearly a third under Public Law 480. Now Italy's purchases are approaching \$300 million a year, for dollars, none under Public Law 480.

Spain in 1956 imported \$125 million worth of our farm products, practically all under Public Law 480. Ten years later these imports had grown to \$200 million, practically all for dollars, none under Public Law 480.

Public Law 480 came to these countries at a critical time in their economic development. They were ready to carry out their own self-help programs but they needed some help in getting started. Once started, they have moved forward on their own momentum.

I would like to cite three more countries. These also are dramatic in their transition from aid to trade for the reason that they started with less and have had further to go. They are Israel, Taiwan, and South Korea. I will illustrate with their purchases of wheat.

In Fiscal Year 1962, Israel got 166,000 tons of U.S. wheat under Public Law 480 and bought 105,000 tons commercially. Last year Israel's wheat purchases under Public Law 480 were cut in half and her commercial buying was expanded by almost half.

Taiwan's wheat imports under Public Law 480 were 325,000 tons in 1962 and dropped to zero last year. At the same time, her commercial buying of our wheat rose from 9,000 tons to 280,000 tons.

During this same period, South Korea's Public Law 480 wheat imports dropped from 337,000 tons to 331,000 tons, while her commercial imports of wheat went up more than 13 times, from 26,000 tons to 341,000 tons.

This matter of economic development is extremely important to our own export promotion efforts. It is only through economic development that a poor nation can become even modestly affluent. It is only through economic development that a developing nation can improve the buying power of its citizens and thereby make the transition from aid to trade.

Our Economic Research Service has tested this relationship between economic development and consumer buying power, with some interesting results. Based on 1964 data, we found that countries with per capita incomes of more than \$600 a year -- such as Japan and in Western Europe -- bought commercially \$7.88 worth of U.S. farm products per person per year. Countries with a per capita income of \$200 to \$600 -- such as Venezuela and Brazil -- bought \$4.18 worth per person. And countries having per capita incomes of less than \$200 -- such as India, Pakistan, and some others in Asia, Latin America, and Africa -- bought only 30 cents worth of our farm products per person.

There are 22 countries that now buy only 30 cents worth of our farm products per capita per year. They have a combined population of 835 million, four times the size of our own population. If each of these people last year had been able to spend just \$1 in buying our farm products -- and believe me, these people would like to buy more from us if they could -- we would have exported \$800 million additional farm products and our export total for the year would have come to more than \$7-1/2 billion. If they had spent \$2 apiece more for the food and fiber products they would like to buy from us, our exports for the year would have approached \$8-1/2 billion.

I have referred to the underdeveloped countries in the aggregate as a "sleeping giant" which, once aroused, will be the largest market in the history of the world. But this sleeping giant will awaken only when stimulated by the increased buying power that comes with economic development.

This is why our self-help requirements are of such importance.

An indispensable key to general economic development anywhere is agricultural development. I do not know of any really progressive country anywhere in the world that has a backward agriculture. The two go hand in hand -- as a matter of fact, agricultural development must precede and serve as a base for industrial development.

We have strong evidence that this agricultural development is taking place, and some of this evidence appeared recently in our annual World Agricultural Situation report, which says:

"The past year was one of record output for world agriculture and, most significantly, a record for the less developed world. Per capita agricultural output in the less developed countries (excluding communist Asia) increased by about 5 to 6 percent in 1967, a recovery to the level of 1964 or slightly above. In particular, most of the developing countries with large populations -- India, Pakistan, and Brazil -- made substantial gains in the production of grain and other foods."

I am not trying to say that Public Law 480 with its many features, including strengthened emphasis on self-help, was entirely responsible for this bumper world crop. In many areas, bad weather gave way to good weather and growing conditions were excellent. But I will say that a good crop in many countries was made even better because of improvements stimulated by the self-help emphasis that Congress wrote in to PL 480 in 1966.

India's record harvest, for example, is due not only to good weather but to the much greater emphasis India is now giving to agriculture. India has provided incentive prices for its farmers and has doubled its use of improved, high-yielding seed and almost doubled its availability of fertilizer. In these, and many other hopeful developments in Indian agriculture, there is no question but what American assistance programs -- including food, technical, and economic aid -- have played an important role of stimulation and support.

Promoting U.S. Foreign Policy

The fourth, and last, part of the Public Law 480 preamble on which I would like to comment is the program's importance in promoting U.S. foreign policy.

President Johnson, in his foreign aid message of February 8, spoke of "the great truth upon which all our foreign aid programs are founded.

"Twenty years ago," said the President, "America resolved to lead the world against the destructive power of man's oldest enemies. We declared war on the hunger, the ignorance, the disease, and the hopelessness which breed violence in human affairs.

"We knew then that the job would take many years. We knew then that many trials and disappointments would test our will.

"But we also knew that, in the long run, a single ray of hope -- a school, a hybrid seed, a vaccination -- can do more to build the peace and guard American from harm than guns and bombs."

It is hard to measure on an input-output scale what Public Law 480, with its food aid and development assistance, has done to promote our Nation's foreign policy. But I would like to turn this around and ask what would have been the negative effect if we had denied to struggling nations these things we have made available?

What if we had remained aloof during their years of need?

What if we had held back the thousands of shiploads of food that have kept millions of hungry people alive?

What if we had not, through Public Law 480, generated the many millions of dollars worth of local currencies which have built dams and schools in countries sorely needing them?

And what if these funds had never been available to strike the spark of life and provide much of the financing in our own export development programs?

What if, in our companion assistance programs, we had told people around the world that we would not share the secrets of our own agricultural success? That we would not consult with them on how to set up a research station? Or agricultural college? Or fertilizer factory? Or irrigate their lands?

But instead we have provided them these things. We have shared to a degree that is unprecedented in human history. We have been providing them, within our abilities, those rays of hope which more than anything else help to build the peace and help to guard America.

And, within our abilities, we must continue to do so.

Mr. Chairman and Members of this Committee, I think Public Law 480 is doing a magnificent job for our Nation and for our friends abroad.

I fully support the extension of the present law for three years and I earnestly hope that it will be approved in the near future by this Committee and by the Congress.