Agriculture by Cynthia Parsons

U.S. exports collapse

With China and the U.S.S.R. buying far less grain this year, the United States should refinance the blended credit program.

American farm exports are dropping for the second straight year. The USDA reported May 9 that volume of exports for March was down 8 percent from the March 1982 level, and cumulative agricultural export volume during the first six months of fiscal 1983 (October to March) was 79 million tons, down 7 percent from the same period a year earlier.

The value of the exports dropped 17 percent to $18.1 billion. USDA is predicting that this year's exports will not reach $36 billion—quite a drop from the $43 billion of 1981.

The agriculture sector's trade surplus was reduced 24 percent, from $2.4 billion to $1.8 billion in this same period, and the U.S. share of the world wheat market has dropped from 48 percent to 40 percent, although two-thirds of U.S. agricultural exports is wheat.

Most nations have cut back on imports and are decreasing consumption by such measures as reducing their cattle herds. France has been able to cut imports due to increases in domestic production, and the Soviet Union has stabilized its domestic grain supply in recent years. India is one of the very few nations increasing imports, which it has had to double due to bad weather. The USDA is hoping that the 4 million metric tons India will import this year will be purchased from the United States.

U.S. exports have declined so sharply in the past year because it has sold almost nothing to either the Soviet Union or the Chinese in that period. Although the President announced in March that he was willing to make another long-term agreement with the Soviets, reliable sources report that the Soviet delegation to the United States in March claimed that they could not negotiate because the administration was not creating the climate for trade.

The United States has been using protectionist measures to limit imports from both these nations, including the January quotas on Chinese textiles, which have had a very aversive effect on Chinese trade.

The Soviets imported 6.8 million metric tons from the United States in 1982, out of their total grain imports of 19.5 million metric tons. This year they have taken a mere 3 million metric tons from the United States out of a total 21 million metric tons of imports. Of China's import total of 13 million metric tons, only 4.6 is from the United States. Last year they bought 8.4 million metric tons.

Although the United States is being undersold by other exporting countries, neither the administration nor the U.S. grain companies are encouraging easy trade terms.

The EC, Canada, and Argentina are giving preferential treatment to grain purchasers. Canada, though it does not make its prices public, offers favorable credit terms, and Argentina has picked up the China market by offering to sell grain at a 20 percent discount. The EC also has waived the $6-per-ton transportation levy in its trade deals with China.

Yet the United States, rather than expanding its relatively successful blended credit program, is trying to make an international case before the GATT out of the fact that the EC can give China such preferential treatment because of subsidized exports.

The administration, in an attempt to satisfy the clamor by farmers and exporters alike, put the blended credit program into effect last October. Blended credit was the nearest thing to a subsidized credit program the U.S. has had since the 1960s. The program combines federal guarantees to the private sector for loans made to nations importing U.S. agricultural products, with interest-free direct credits to those nations from the Commodity Credit Corporation, in a four-to-one proportion. CCC credits worth $4.8 billion were authorized for this fiscal year.

The funds for the interest-free credit were already exhausted by May 13, indicating the need for such a program. Unfortunately, this may bring to an end the only initiative the United States has made to increase exports. There is still $130 million available to guarantee private-sector credits.

USDA estimates that it has sold $7-$8 million worth of farm commodities under the blended credit program, and possibly $5 billion of that was for sales that would not have been made without subsidized credit. The administration is now waiting on the Office of Management and Budget to agree to raise the CCC credit ceiling; the USDA does not know when this will occur.

Countries now seeking credit guarantees include Nigeria and Venezuela. A USDA Economic Research Service spokesman commented that the blended credit program has helped North African and Middle East countries still rated "creditworthy" to import more than they could have without the credit.