and other nonfarm activities. The impact on producers varies, depending upon the product they sell.

C. Trade expansion is also hampered by policies. The developed nations have followed a number of policies that lead in the direction of agricultural self-sufficiency. For reasons associated with internal political pressures, governments use tariffs to protect internal markets for farmers, protect consumers from shortages in times of war, et cetera. These have the effect of import substitution policies in agriculture, and militate against an expansion of farm-produced exports.

D. In a significant number of countries, including the United States, areas of specialized production are sufficiently large, or politically vocal, or important for exchange earnings, to induce in government serious consideration—and often acceptance—of export subsidies and other measures to stimulate exports. Consequently, international efforts to reduce the quantity of artificial stimuli to exports become intimately involved in domestic agricultural policy. The combination of restrictive import policies and programs to expand exports has led to international markets that operate without consistent rules and to conditions where international commercial conflict is increasingly focused on agriculture. Progress in resolving these issues is possible only if future negotiators are in a position to discuss domestic farm policy and trade policy jointly.

E. Developing countries face special problems because of price instability and advanced country policies. The nature of the demand for agricultural products exposes these commodities to fairly wide price fluctuations, which leads to government intervention to influence the market, such as minimum export prices, domestic price supports, subsidies to export, marketing boards, and international commodity agreements. In technical terms, this basic characteristic is a low elasticity of demand with respect to price; that is, a small increase in volume brings a larger decrease in the price received. This traditional concept has been less valid during the past decade, primarily because of the increased ability of major consuming nations to maintain economic stability, but still is important. In consequence, the less-developed countries, as they examine their agricultural trade potentials, hesitate to expand most farm exports greatly. Although some have done so successfully, most nations fear that larger volumes of exports will lead to lower prices and lower foreign exchange earnings. This point is more telling when the nation provides a significant fraction of the total world trade in its principal export commodity.

F. Less-developed countries are unable to expand the export of processed farm products, despite the logic of emphasizing this type of industrialization, because the tariff structure of most developed nations is geared to favor raw material imports. The tariff protection to the developed nation's processing plants often is very substantial. Given the desire to industrialize, this situation presses most developing nations into manufacturing for the domestic market, often with special consideration to import substitution industries.

G. The growth in income and population in the developed countries of Europe, North America, and the Far East are likely to lead to a continued expansion in commercial trade in certain farm products. Red meat and feed grains have favorable prospects. Commercial trade among developed countries is likely to be static or decrease for certain other products, such as wheat and poultry, as new or advanced tech-