I. Introduction

Agricultural primary products, characteristically, face a number of special problems in world trade. Among these problems are the slow growth of demand, price and volume instability, intervention of government in defining the conditions of trade, concentration of exports in one or a few commodities, trade discrimination, and the deteriorating balance between the growth of production and the increase in demand. Some of these problems apply to fishery, forest, and mineral products; and some apply to the processed products of agriculture and other sectors. Thus, uniqueness or exclusivity is not claimed for agriculture in this paper; rather the conditions discussed dominate the agricultural trade sector, with few exceptions, and call for serious attention because agricultural products represent about a third of world trade.

This paper concentrates on the long-run characteristics of international agricultural markets, the nature of the problems after the Kennedy Round, and the kinds of action that may be feasible in dealing with them. It does not discuss the accomplishments of the Kennedy trade negotiations, partly because details are not yet available and partly because the full impact cannot be known for some time. We do suggest that one of the reasons for substantial difficulty in gaining agricultural concessions is the close interweaving of domestic agricultural price policy with trade policy for many countries—the United States included. In consequence, a substantial array of domestic economic interests, in many countries, apply political pressure upon a nation's leadership as they discuss possible trade concessions, which equate to a discussion of internal farm price policy. Finally, the Kennedy Round emphasized trade policy among developed nations, whereas agricultural trade substantially represents exports from developing to developed nations. The agricultural trade interests of developing nations will be dramatized in the forthcoming UNCTAD Conference in India. The U.S. interests and position vis-a-vis the developing nations require substantial attention and imaginative analysis.

In examining trade in agricultural products, it must be conceded at the outset that no precisely measurable criterion exists for suggesting how much trade should exist, whether in relation to developed or developing nations. Yet, overall, three things must be kept in mind in evaluating conditions in international agricultural markets. These are:

(1) The concept of comparative advantage is meaningful in application to agriculture, and further movement in specialization of production toward areas of lowest cost would benefit individual countries and the well-being of the world as a whole. Impediments to trade hinder this movement. At the same time it is necessary to recognize the concept of fixed assets, which sometimes builds an economic case for a gradual process, or for adjustment payments as part of a more rapid process. Possible political pressures are likely to be greater when fixed assets bulk large in production costs.

(2) Trade in agricultural products plays an important role in the total of international transfers related to the problem of eco-