

COMMERCIAL MARKETS FOR U.S. AGRICULTURAL PRODUCTS

The bulk of U.S. commercial agricultural exports go to Japan, Canada, and Western Europe. Exports to Canada largely consist of fruit and vegetable products that cannot be produced for year-round supply in northern climates. Comparative production advantage and demand expansion associated with population and income growth in Canada largely determine this flow of trade. Policy conflicts are minor and steady, though only gradual increases in exports to Canada can be anticipated.

Japan presents a unique situation in advanced country agricultural trade. Because of extremely limited land resources, postwar agricultural policy has been oriented toward expansion of output, first to provide self-sufficiency in cereal food requirements and, in more recent years, to provide increased quantities of livestock products, fruits, and vegetables. Approximate self-sufficiency has been achieved in rice but considerable quantities of wheat and barley are imported for food. With increasing incomes consumption of livestock products is expanding rapidly, requiring increasing imports of meat and milk products, as well as feed grains to support domestic production. These can be expected to continue despite restrictive import policies and domestic price programs.

Japanese farms average only about 1 hectare in size. Commodity price guarantees are required to maintain farm income and this, in turn, led to close regulation of competing imports. All cereals are subject to state trading; quantitative controls are used to regulate imports of livestock products, some oilseeds and oils, and processed foods. Thus, while Japan has been expanding imports rapidly, growth has been closely regulated and subsidiary to domestic agricultural programs.

Clearly the most complex issues surrounding trade relations in agriculture are those among individual and groups of European countries and those between other exporting countries and West Europe. This follows both from the economic and policy conditions surrounding European agriculture. Recent changes in food consumption and agricultural production have resulted in increasing pressures on some markets, yet in other instances output tends to be inadequate. While surplus stocks have generally not accumulated, increasing problems in some countries and some commodities have resulted in expansion of sales and export subsidies on international markets. In other cases, agricultural product prices have risen rapidly in response to short supply. In general, increases in both consumption and production have been rapid.

Recent expansion in consumption has been most marked in livestock products other than milk and in fruits, vegetables and sugar, with increases in the order of 2 to 3 percent per year for most of these products (table 12).

Consumption levels, however, vary widely within Europe and the potential for future expansion both in response to income and price variation differs greatly by regions. In northern Europe, consumption of some commodities is approaching North American levels and income elasticities of demand are relatively low and declining. In southern Europe considerable potential for expanded consumption with a strong response to both higher income and lower price appears to exist.