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## "PRODUCING A WORLD CROP IN A WORLD MARKET"

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"PRODUCING A WORLD CROP IN A WORLD MARKET"

From the very beginning, rice in the United States has been an export crop. History shows that the development of the U.S. rice industry started in about 1694, and by 1698 sufficient rice was being produced to warrant an effort to export it.

That same year a petition was drawn up in South Carolina where the rice was being produced to get the English to drop their import tariffs on colony-produced rice. Two years later about 300 tons were shipped to England.

The battle to sell American rice overseas has been going on for a long time. It is likely to continue. We produce far more rice in this country than we consume and that means we have to sell abroad. Basically there are two ways of doing this: 1) moving our excess rice production through concessional sales and grants, i.e., food aid, or 2) working to develop more commercial sales abroad.

Export marketing of any crop grown competitively around the world is a tough nut to crack, yet it is the primary game that U.S. rice growers and millers are involved in. This is likely to continue to be the case -- unless American eating habits change drastically or the rest of the world suddenly quits eating rice. Neither of these occurrences is likely.

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Speech by Assistant Secretary of Agriculture Clayton K. Yeutter before the 76th Annual Meeting of Rice Millers Association, New Orleans, Louisiana, April 18, 1975

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About 71 million people are added to the world's population each year and of these, about 48 million are added in the developing countries. Another 13.4 million are added to the populations of China and the other centrally planned Asian economies.

These statistics mean that most of the growth in the world's population is coming in areas where rice is the staple of life, a dietary necessity and a food of high consumer desirability. This should point the direction for the U.S. rice industry. It hopefully points the way toward viability and prosperity.

The need for more rice is well documented, and over the long run that need will continue to grow; there's little doubt about that. The question is how best to approach this opportunity and how best to serve those added customers on a continuing and commercial basis.

Let's face it; in recent years much of the thinking in the U.S. rice industry has centered around domestic support prices and trying to move substantial surpluses through the P.L. 480 Program.

This has been masked somewhat during the last two years because of the poor world grain crops of 1972 and the subsequent high demand for all grains.

At present the urgency of that demand is moderating, following increased rice supplies in nearly all exporting countries during this last year. Prices have declined from the record peaks of early 1974. Thai quotations, for example, have dropped more than 37 percent.

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Three exporters -- the U.S., the People's Republic of China, and Thailand -- account for about 3/4 of all the rice moving in international trade. Both the U.S. and Thailand have turned in record crops this past year. The PRC also seems to be in good shape production-wise. It shows no signs of reducing export offerings of rice.

Egypt, Australia, Italy, Argentina and Uruguay are also in a stronger rice exporting position this year than last. Even North Korea has entered the selling market, reportedly with about 500,000 tons to move.

Only Pakistan and Japan, both of whom unloaded heavy surpluses during the early 1970's are reducing their rice offerings this year.

All this has led to a worldwide drop in rice prices, but the picture is not all bearish. In 1975 we are seeing increased purchasing by Sri Lanka, Bangladesh and South Korea. Much of this, however, is on a concessional basis.

U.S. rice prices have been somewhat shielded from the weakening world prices by an increased demand for high-quality, long grain rice from the Middle East. Most noticeable has been the increased cash buying by Iran. These countries represent an example of where at least some of the future markets for U.S. rice will be found.

Many of the developing countries -- places that we have traditionally thought of as concessional markets -- are beginning to come on-stream economically. Much of the world's remaining mineral wealth and natural resources are found in these traditionally impoverished areas.

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This is shifting the balance of economic strength and beginning to bring cash to places that have never before had it. They are using that new income to enter commercial trade for the first time. They are making capital investments within their own borders and developing the economic framework which will enable them to become continuing members of the world marketplace. Some of our old aid recipients may someday become our best commercial customers. Some -- Taiwan, Korea, Spain, e.g. -- already are.

Meanwhile it is true that rice will continue to play a major role in this country's food aid shipments. P.L. 480 rice shipments for marketing year 1974/75 will be up an estimated 7 million cwt. This will put them at about 25 million cwt., compared to 18 million cwt. a year earlier.

Right now the United Nations estimates that about 460 million of the world's 3.8 billion people are malnourished. Most of them need more basic grains, rice and wheat, to fill out their diets. Certainly we will continue to help these people with food aid as much as is practically possible.

But the trends show that on the average the 3.8 billion people of the world had about one-fifth more food to eat per person in 1973 than did the 2.7 billion people living in 1954. Slowly, and in spite of popular claims to the contrary, the whole of mankind is becoming better fed.

This is not to say that the world doesn't have food problems, particularly the two billion people now living in Eastern and Southeastern Asia. Food aid will be needed for a long while to come. But as the world's experience with food aid grows, we are slowly learning that direct shipments of food often don't work nearly as well as we would hope. The developing country that receives such aid often isn't capable of satisfactorily handling the problem of distribution.

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Grain sometimes rots on the unloading docks, or rodents feast on it while it awaits in-country shipment. Worse yet, some of it gets into the black market trade damaging the traditional marketing network, which leads to a further weakening of the recipient country's ability to feed itself.

Massive food aid shipments to a developing country unavoidably compete in one way or another with that country's own grain production and marketing. This drives down the in-country price of grain and makes it even harder for local farmers to make a living. In the long run, food aid may well become counter-productive.

In the years ahead all forms of food aid will be scrutinized and reappraised -- by us, by the Congress, and by the general public. Greater emphasis will probably be given to trying to help lesser developed countries improve their own agriculture and their own ability to feed themselves.

Food aid shipments, whether continued on a massive scale or not, are a poor basis for establishing a viable and continuing form of commercial agricultural production, either here or in the recipient nations.

For a grain to be a good food aid item it must be inexpensively produced and available in large quantities. That puts rice at a disadvantage right away. There are other grains in the United States that can be produced more cheaply and in greater quantity.

Let's look at it hypothetically. Let's say that a government has access to 100 million bushels of wheat worth \$3.00 a bushel and 100 million cwt. of rice worth \$8.00 a bushel. Both commodities are equally available for purchase. What the government wants to do is help feed the maximum number of people for the least amount of money. Which commodity is it going to buy?

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Given the limits of budget, the least cost commodity, wheat, will get the nod.

Even if there is only one commodity, rice, involved, the volume shipped as aid is likely to drop as the commercial price rises. This happened in 1973. During the current marketing year, as the price of rice moderated, the volume shipped under P.L. 480 rose once again.

If you as rice growers and processors depend on food aid as a basic underpinning for your industry, then you must resign yourselves to usually being residual suppliers in the world market. That is not a desirable situation.

There is a better way to build a future, and that is to turn further toward the marketplace. There will be more cash customers for rice tomorrow than today. Not only is population expanding in the rice eating nations, but economic growth is occurring as well. Together, these are the two primary factors that increase food consumption.

During the 1960's, the annual increase in Gross National Product (GNP) in the developed economies averaged 3.9 percent. It reached about the same rate in the centrally planned economies, and ran at about 3.2 percent in the developing nations.

In 1970 and 1971 growth rates slowed, but then in 1972 and 1973 a simultaneous economic boom occurred around the world, bringing new customers into the market. Right now the pace has slackened once again, but historically the trend toward more income for more people is headed upward.

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This should point the way for the U.S. rice industry. There is a growing commercial market for rice in the world, particularly for the long-grained rice popular in much of Asia.

There's a choice: 1) rice growers and processors can reconcile themselves to being the supplying arm of a federal food-aid-program, 2) or they can strike out to capture a larger share of the commercial markets that are developing. That choice is yours.

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