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LOOKING FORWARD

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LOOKING FORWARD

A couple of weeks ago, on my Far Eastern tour, I visited a farm in Taiwan. The contrast with Montana could not have been more striking.

This was a good-sized farm by Taiwanese standards, about 10 acres. It is farmed by a father and his six sons, and provides most of the support for the 40 people in their families. The agriculture is highly intensive. They alternate rice and vegetables on their land, getting at least two crops of each per year. They were also raising hogs--completely confined from birth to slaughter because land is so precious. There were no weeds in sight; the land is too precious for weeds, too.

Not far away from this farm was the capital city of Taipei. It, too, was impressive. It is filled with modern industrial plants, and well-educated, highly productive workers.

Taiwan has more than doubled its gross national output in the last ten years, developing into a major center for light industries like textiles and electronics. As a result of this increased productivity, the per capita incomes of Taiwanese have more than doubled too. Income per person rose from \$224 in 1963 to \$476 in 1973--and projections indicate that 1974 income was nearly \$600 per person.

Speech by Assistant Secretary of Agriculture Clayton K. Yeutter before the Ninth Annual Montana Farm Forum, Shelby, Montana, February 5, 1975.

In 1963, Taiwan's total trade with the rest of the world was about \$700 million. Not bad for a small nation of 16 million people. But by 1974, Taiwan's imports and exports totaled a whopping \$12 billion. That statistic, perhaps more than any other, indicates the tremendous economic change in Taiwan in recent years.

The economic growth has put much more money into the hands of Taiwanese consumers -- and they have responded with a demand for more and better food.

There was really no way that this additional food could be produced on the island. Their farming is so intensive that Americans have to see it to really believe it. Their rice yields are among the highest in the world, with an average of more than 4,300 kilos per hectare.

The Taiwanese have had to improve their diets through imports. In 1963, the island imported \$27 million worth of wheat, \$20 million worth of soybeans, and no corn at all. In 1973, the latest year for which we have complete figures, they imported seven times as much of these commodities--\$66 million worth of wheat, \$127 million worth of corn, and \$163 million worth of soybeans.

Perhaps the most impressive thing I found on my recent visit to Taiwan was the dedication among officials and businessmen there to improving their economic performance still further. They are laying

plans for further economic growth - despite the world's current economic problems. They are expecting to improve their living standard still further in the years ahead. They are maintaining their livestock and poultry populations, despite the current high cost of feed, because their people want to eat more meat in the years ahead.

I came away convinced that Taiwan will be an even better market for farm products in the years ahead.

I cite Taiwan, not because it has the largest population or potential of the countries I visited; but because it is typical of the market potential that exists in that part of the world. Japan and Korea exhibit the same dynamic economic growth, the same disciplined drive for better living. Furthermore, they now share the same determination to regain their economic momentum.

The economy of the Philippines is not yet as fully developed as the economies of the other three nations--but they are working on it with high spirits.

There is one more similarity between these countries. Each has a stated national policy of achieving higher levels of self-sufficiency in food. But none of them is self-sufficient now, and none will be self-sufficient in the future unless forced into a drastic cutback of living standards. Rather, each of these nations

presents the classic profile of a growing market for farm exports. With economic advancement, the demand for more and better foods will increase - and most likely outstrip their efforts at self-sufficiency. This will not signify failure for these countries. On the contrary, it will signify success, for it evidences a rising level of living. It will be an illustration of nations that are "putting it all together."

This is vitally important to American farmers, in Montana and in every other State. The export outlook is not just the key to demand for soybeans or wheat or beef; the export outlook is the key to demand for agricultural resources--acres of land, and hours of farmers' time.

Obviously, the level of export demand has been up in recent years. That has shown in export totals, in farm income, and in farm land values.

The most important thing I found on my trip is that the human desires that fueled the growth in our farm exports in past years are just as strong today.

Japan is already a \$3.3 billion market for U.S. farm products that range from wheat and beef to grapefruit and cherries. One of the things I discussed with the Japanese was the idea of loosening up their beef import quota. The current quota is so tight, and Japanese domestic beef production is so small, that prices have been bid up to very high levels. We saw rib steak in a Tokyo supermarket for the equivalent of \$30 a pound, and the average price for all beef--including the lower grades--is \$4 a pound.

I pointed out to Japanese officials that they currently have a gap in their beef availability. They have grass-fed manufacturing beef imported from Australia and New Zealand; they have domestic dairy-type cattle yielding slaughter carcasses of perhaps the "good" grade. And they have the ultra-expensive Kobe beef which they feel is the finest in the world. I pointed out that there is little beef in Japan comparable to our "USDA Choice"--a fine grade of fed beef, which we can deliver for much less than \$30 per pound.

Hopefully, our discussions will bear fruit in the not-too-distant future. Japan currently consumes only about 7 pounds of beef per person per year compared to about 116 pounds here in the United States. This leaves lots of room for future increases.

Korea is another remarkable success story. It should soon be a billion-dollar-a-year market for American farm products. Korea bought \$659 million worth in 1974, up from \$485 the year before. It was only four years ago that we celebrated Japan as our first billion-dollar-a-year market. And now the little nation of Korea is following rapidly in her footsteps. Korea has 34 million people, and the same dynamic growth pattern as her Far Eastern neighbors.

While I was in Korea I visited the new grain unloading facility at the port of Inchon. The facility is being financed through PL 480 funds. Unloading has been more than a little difficult at Inchon because of its 30-foot tide range. The new facility should permit us to cut unloading costs for U.S. grain, and thereby encourage more consumption.

Signs of budding economic growth are evident in the Philippines too, and they will be a growing market for U.S. farm products. I saw some outstanding swine and broiler operations in that country, as well managed as any here in the U.S.

I did not visit the People's Republic of China, the giant of the Far East. But China, too, has tremendous market potential. She has been importing large amounts of grain in recent years. China, too, is still trying to become self-sufficient in food production. She has recently invested many millions of dollars in new fertilizer plants from the West, to boost the production from her massive agriculture.

China's food needs are currently even more massive than her output, however. And the classic pattern for emerging industrial powers is to focus their resources increasingly on industry, and depend more on food imports. I suspect that China will do that over the next decade or two even though her recent actions might lead one to believe otherwise.

Neither did I visit Indonesia, another Far Eastern nation with tremendous potential as a farm export market. Indonesia has a larger population than Japan--125 million people. Currently, her diet leaves much to be desired. However, Indonesia is fast becoming

one of the world's leading oil exporters. Oil production is already up to a million barrels a day, with a good deal more under development. Indonesia made its first major commercial purchase of grain from the U.S. in 1973--nearly 1 million tons of wheat--after years of being a concessional wheat importer under the PL 480 programs.

Looking at all of these countries together, I came back from the Far East more convinced than ever that American agriculture has a bright future. Demand is the key, and I saw demand and potential demand everywhere.

The problem we face right now is the current economic slowdown. /It was rare to have so many of the world's economies booming at the same time as in 1972. It is rare also to have so many of them hit by slowdowns as they are in 1975, but we have the oil crisis as well as economic cycles to thank for that.

Officials in all four of the countries I visited told me that the quickest way to get their economies back on track would be to get our own economy squared away. Their economies are all tied to ours in a multitude of interdependent ways. That means we need quick action on the President's economic program to regenerate economic activity and reverse the current gloom-and-doom psychology.

The President has proposed tax cuts to generate new spending power in the private sector. At the same time, he is proposing key spending cuts in the government sector, to cut the Federal government's

impact on inflation. Finally, he has proposed an energy tax program aimed at cutting our vulnerability to the OPEC oil cartel; it would encourage domestic energy production and conservation, with the burden of these increased costs distributed as equitably as possible.

Quick action on this whole package should be the top farm legislative priority for 1975. That is the quickest way to regain economic momentum--for the United States and for your customers overseas. And it is the quickest way to turn farm prices upward again.

It is possible to compensate for the energy problem. Japan and West Germany did it last year, with energy austerity programs, and by pushing their productivity to new heights. If we develop our own energy resources, and use energy efficiently, then we will weaken the oil cartel's hold over the world economy. That will bring energy prices down in the long run. It will take self-discipline--but we can do it.

I was impressed by the way the Far Eastern nations are using self-discipline to achieve economic growth despite a much higher dependence on OPEC oil than we have. I was impressed, too, by the depth and strength of the latent demand there for farm products.

The Far Eastern nations will eat better in the years ahead--and my visit to that farm in Taiwan convinced me again that they will do it through increased imports. Most of those imports will be coming from you.

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