The History of the Foreign Agricultural Service: Helping U.S. Producers Feed, Clothe and House the World

By Ryan Swanson

The harvest of American farms, ranches and forests no longer goes to feed, clothe and house only Americans–it goes to feed, clothe and house the world. The small family farms of early America have gradually given way to market-based production. As increased agricultural production steadily outpaced the needs of the U.S. population, producers sought and found alternative markets. The Federal government joined in this search, pursuing a course that benefited the U.S. economy, U.S. producers and needy countries abroad. Thus, 50 years ago, FAS (the Foreign Agricultural Service) was born.

Today FAS continues to foster a global agriculture market. A look at the progression of FAS tells us not only about FAS, but also about the changing scope of U.S. agriculture.

FAS belongs to a rich tradition of American agricultural advocates. Thomas

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Potato planting in Fort Kent, Maine. 1943

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Jefferson conducted his own farming research at Monticello, his Virginia estate, and during his travels abroad gathered information and seeds to transport back to Virginia. Abraham Lincoln, while leading the United States through the Civil War, established USDA (the United States Department of Agriculture), tapping Isaac Newton for its first commissioner. Additionally, his support of the Homestead Act and the Morrill Land Grant College Act made it easier for farmers to obtain land and further their agricultural training.

President Ulysses S. Grant fielded one of the first foreign requests for agricultural assistance and training. The request, which came from Japan, led Grant's Commissioner of Agriculture, Horace Capron, to vacate his post and lead an expedition to aid the needy farmers of that country. Although no other commissioner followed Capron's example, the idea of facilitating foreign market growth caught on. It would become a hallmark of FAS.

In 2003, FAS celebrates 50 years of partnership with American farmers, but agricultural exports have been a part of the American economy for much longer. Tobacco and cotton farmers found markets before the American Revolution, even in the face of strict British trade restrictions.

By the 1850s, the annual value of agricultural exports averaged $189 million and 81 percent of total U.S. exports. Later, during the Industrial Revolution, an agricultural boom took place. Exports increased from an annual average of $703 million between 1890-99 to $1.94 billion in 1920-29. As trade increased and became prohibitively complicated, the Federal government initiated steps to aid the farmer in exporting excess produce.

Paving the Way for FAS

The foundation for FAS was laid long before the organization was formally created. As the U.S. government took note of increased U.S. agricultural exports, it moved, although cautiously at first, to monitor foreign markets. In March 1894, Congress established the Section of Foreign Markets and authorized it to gather and disseminate agricultural information. Over the next 20 years, amid structural fluctuation, this goal of providing accurate information to U.S. farmers solidified. During the 1920s, the task came under the jurisdiction of the USDA's Division of Statistical and Historical Research. Headed by O.C. Stines, the division garnered increased support in its effort to facilitate the growth of U.S. agricultural exports.


U.S. Agricultural Pioneers Abroad and Their Problems

FAS

On June 5, 1930, Congress approved and President Herbert Hoover signed legislation to promote "acquiring and diffusing useful information." The legislation created the Division of Foreign Agricultural Service, which was placed under the jurisdiction of the Bureau of Agriculture Economics. Asher Hobson assumed leadership of the division, with its 30 employees and appropriation of $100,000. Congress also authorized the placement abroad of U.S. ambassadors, who would deal in grains and meats rather than military tactics and treaties. Described as "farm boys with Ph.D.'s," the new officers, who were attached to the U.S. Department of State, were eventually given the title of attachés. By 1932, officers worked in eight foreign locales: Belgrade, Berlin, Buenos Aires, London, Marseilles, Pretoria, Shanghai and Sydney.

In 1933, in the midst of the Great Depression, Congress passed the Agricultural Adjustment Act of 1933, which not only allocated public funds for foreign market expansion for the first time, but also authorized payments to augment low crop prices to help struggling farmers. By the end of the 1930s, however, U.S. agricultural exports had declined by more than 60 percent, and the U.S. Supreme Court had declared the Agricultural Adjustment Act of 1933 unconstitutional.

In the midst of these circumstances, the Division of the Foreign Agricultural Service received a much-needed infusion of respect and authority. In 1939, it was shifted to the jurisdiction of the Office of the Secretary of Agriculture. The shift brought increased authority and resulted in a title change: the Division of Foreign Agricultural Service became the Foreign Agricultural Relations Office. The mission remained the same.

Visionaries

George C. Marshall, who served as Secretary of State in the late 1940s, emerged as an unlikely ally of agricultural exporters. In a commencement speech at Harvard on June 5, 1947, Marshall urged the United States to address the "hunger, poverty, desperation and chaos" plaguing much of Europe. In 1948, with Marshall's backing, Congress approved the European Recovery Program. Later to be called the Marshall Plan, the program contributed $13 billion, over four years, to countries ravaged by World War II. Fittingly, many of FAS' early leaders participated in this groundbreaking project, including future administrators Gwynn Garnett and Raymond Ioanes.

While working to implement Marshall's vision, Garnett, then a young army officer, suggested an idea that would change U.S. farming forever. Garnett's plan had an appealing simplicity: use the U.S. agricultural surplus to feed a hungry Europe. In fiscal terms, Garnett proposed that the United States accept local currencies, many of which were virtually worthless outside their own borders after the war, in exchange for agricultural products. These local funds could then in turn be used to rebuild foreign markets.

Garnett presented his plan to officials of the Eisenhower Administration and to members of Congress when he returned from Germany to serve as a Farm Bureau official. The plan rapidly found support because it allowed Congress to help U.S. farmers, feed hungry nations and foster future markets.

Garnett's plan was incorporated into the Agricultural Trade Development and Assistance Act of 1954. At the same time, members of Congress expressed concern that "our governmental machinery for carrying on agricultural relationships with other countries was inadequate both in scope and in organization...." In the first months of his administration, President Dwight D. Eisenhower and his newly appointed Secretary of Agriculture Ezra Taft Benson realized that USDA needed a renewed focus for establishing contacts overseas, and an increased emphasis on the development of foreign markets if U.S. agriculture was to prosper.

On March 10, 1953, Secretary Benson issued Secretary's Memorandum 1320, which officially created FAS. Secretary Benson's challenge to the new agency was fourfold:

- Supply American agriculture with current market information.
- Promote the sale of American farm products abroad.
- Remove obstacles to foreign trade.
- Help other countries become better customers through technical assistance, foreign investment, greater use of credit and other means.

In July 1954, Congress reinforced the new role of the agency by enacting the Agricultural Trade Development and Assistance Act. This law, commonly called P.L. (Public Law) 480, provided the marching orders for the new FAS.

Title I of the law provided U.S. government financing for sales of U.S. commodities to friendly foreign markets. Title II authorized the donation of food to alleviate famine and malnutrition. Title III built upon section 416(b) of the Agricultural Act of 1949, allowing excess commodities held by the CCC (Commodity Credit Corporation) to be distributed to developing countries.

FAS wasted little time getting started. In 1955, for the first time, FAS represented American agriculture at a foreign trade show. It was a foray into a mode of influence that would become a staple in FAS' promotional efforts. Later in the year, Garnett became the administrator of FAS, a position that he held for three years. Logistically, it became clear that a coalition of government and private efforts

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Soybeans growing near Blytheville, Arkansas.

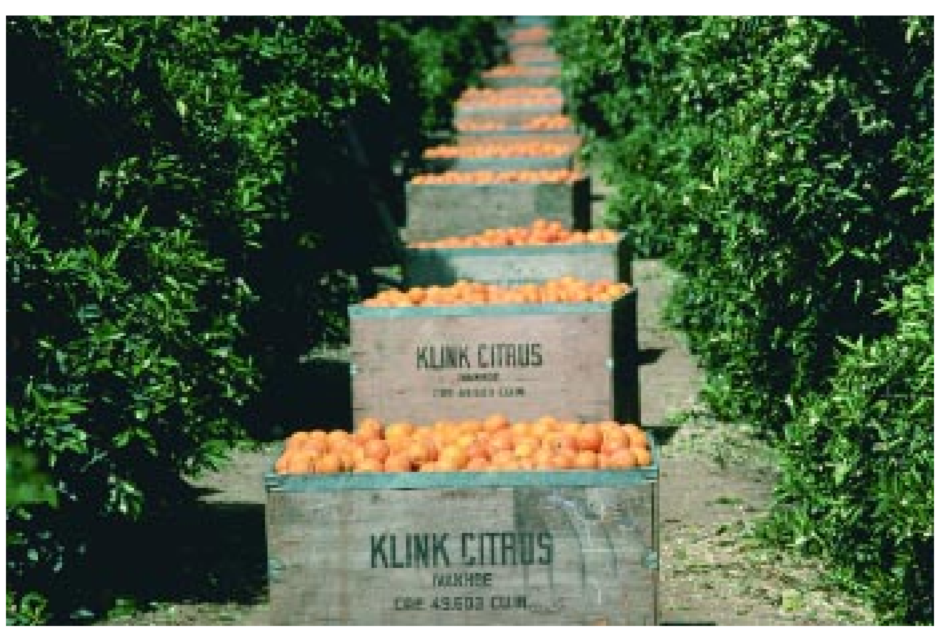
would best fulfill FAS' mission. As later administrator Raymond Ioanes recalls, it made sense "for the Government to provide the framework of the program, but to call on those in the trade stream...to be active partners."

First established under the authority of P.L. 480, the Foreign Market Development Program (commonly known as the cooperator program) used funds from USDA's CCC (the Commodity Credit Corporation) to aid in the creation, expansion and maintenance of long-term export markets for U.S. agricultural products.

FAS' first active partners, termed "cooperators," were nonprofit coalitions that represented the interests of individual commodities. Cooperators defrayed approximately half of the funding costs and also provided valuable expertise regarding specific industries. Today, cooperators and FAS continue to work together to cultivate foreign markets for U.S. products.

This partnership might not have happened but for an innovative legal contract, drafted by USDA lawyer Ralph Koebel, that created a safe environment for this unexplored realm of government-business cooperation. Of FAS' leadership, Read P. Dunn, Jr., of the National Cotton Council stated, "Without people as resourceful as Gwynn [Garnett] and Ray [Ioanes]...it would not have been possible to get the program started so quickly and so efficiently." The National Cotton Council became FAS' first cooperator, beginning a relationship that, Dunn said, "could not have been better."

The early years of the fledgling Agency were a time of learning and experimentation. In 1959, for example, FAS assisted the Yamanashi prefecture of Japan after it lost nearly all of its livestock in two typhoons. FAS moved quickly to coordinate relief efforts: Iowa farmers contributed 36 hogs, the CCC provided 80,000 bushels of corn and the U.S. Air Force volunteered transportation. The results of this collaboration were impressive. Three years later, the original 36 hogs had multiplied to over 500. U.S. grain farmers eventually gained a new market for feed as the hog industry grew, but just as importantly a diplomatic bond had



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been formed. Iowa and Yamanashi established a sister-state relationship. Standing today in the garden of the Iowa state capitol is a Japanese-style bell house, sent as a gift by the people of Yamanashi in thanks for the 1959 "hog lift."

Examination and Adjustments

Despite FAS' early successes, the 1960s brought both internal and external evaluations. In 1961, President John F. Kennedy initiated an administrative review of all cabinet-level departments. Reviewers granted FAS permanent status, but they also established a mandatory level of cooperative involvement. Reviewers further recommended that FAS be streamlined for efficiency and that cooperators be given more freedom to act regarding their specific interests.

Of its own accord, FAS formed a "brain bank" to address necessary reforms; a group of semi-retired Advertising Council executives meticulously evaluated each commodity program in light of original P.L. 480 goals and regulations. The brain bank's primary recommendation suggested that cooperators develop more detailed market plans. FAS swiftly adopted changes to facilitate this recommendation.

In 1969, FAS leaders established the Export Incentive Program, designed to help independent firms promote specific products and to shift FAS' marketing focus toward brand promotion campaigns. For example, FAS worked with the Florida Citrus Commission to increase the market for orange juice in Europe, especially targeting cold climates such as Sweden. The calcium benefits of orange juice became the paramount selling point in an effective campaign.

FAS also gained new partners at the state level. Domestic field offices comprised of regional state groupings began to recruit potential exporters in their states. Through these relationships, FAS gained increased information about—and access to—America's farmers, all of which allowed the organization to further tailor itself to meet the diverse needs of different regions. Today four state-regional trade groups cover all 50 states and Puerto Rico: Food Export USA Northeast, the Mid-America International Agri-Trade Council, the Southern United States Trade Association and the Western United States Agricultural Trade Association.

FAS

Country team meeting at American Embassy in Bangkok, Thailand. 1982

New Horizons, New Possibilities

Strengthened by new partnerships, FAS worked diligently to open the doors to two of the world's largest markets: the Soviet Union and China. As Cold War tensions began to thaw with the 1970s attempt at détente, these markets seemed more accessible than ever before. In 1970, the United States and the Soviet Union formed a Joint Agricultural Commission, albeit with different intentions. The United States desired economic information, while the Soviet Union wanted U.S. agricultural technology. Despite the differing goals, the commission proved fruitful. By 1975, the United States and Soviet Union had reached a long-term agreement for the exportation of American grains.

This "food diplomacy" facilitated further communication between the two countries. In 1981, President Ronald Reagan lifted the Soviet trade embargo entirely. FAS' participation, while it should not be overstated, did play a part in easing Cold War tensions.

China's "closed door" policy had made the country almost impenetrable to American farmers throughout much of the twentieth century. But in 1978, Secretary of Agriculture Bob Bergland visited the People's Republic of China and secured permission for a group of cooperators to visit soon afterward.

It quickly became apparent that China lacked the basic facilities to use raw commodities and that an investment in infrastructure would be necessary. After some deliberation, FAS and its cooperators collaborated to build a bakery in China. It became a training site where Chinese people learned how to bake bread with American wheat.

In a similar endeavor, American interests built an instant noodle plant. Although the Chinese certainly already knew about noodles, the factory taught them the benefits of using American commodities in noodle making. These unusual steps taken to open the doors to China proved successful. By fiscal 2002, U.S. agricultural exports to the country totaled nearly $1.4 billion.

In the midst of this expansion, and perhaps in part because of it, Congress passed its most significant foreign agricultural legislation since 1953. The Agricultural Export and Trade Expansion Act of 1978 again bolstered FAS' position and authority. The Deputy Assistant Secretary of Exports, who oversaw FAS, was appointed Under Secretary of USDA. Agricultural attachés were raised to the rank of counselors, and Congress authorized FAS to open trade offices throughout the world.

Heightened Competition

The 1980s marked a time of significant competition. Numerous countries sought to export their surpluses, and the inevitable overlap drove prices down. Additionally, inflation wracked the U.S. economy, further hindering U.S. exports. After hitting a high of $43 billion in 1981, exports declined for five consecutive years.

The Food Security Act of 1985 created the Targeted Export Assistance Program (subsequently the Market Promotion Program, now the Market Access Program), which promoted those U.S. farm products subject to unfair foreign trade practices. These two bills signaled the United States' adoption of a more active approach to countering foreign price supports.

In 1983, as FAS celebrated its 30th anniversary, it had good reason to be optimistic. In its first 30 years, FAS helped farmers export more than 600 trillion pounds of goods, worth more than $33 billion. Upcoming was the Uruguay Round of negotiations of the GATT (General Agreement on Tariffs and Trade), which for the first time would devote considerable time to agriculture. In addition, under the U.S.-Canada FTA (Free Trade Agreement, first implemented in 1989) the two countries had begun phasing out trade barriers.

In 1984, the Cochran Fellowship Program was launched, providing training for senior and mid-level specialists from the public and private sectors concerned with agricultural trade, agribusiness development, management, policy, marketing and technology transfer.

The Food, Agriculture, Conservation and Trade Act of 1990 created a new focus for FAS by authorizing the Emerging Markets Program. This program targeted countries with a per capita income of less than $9,360 and a population greater than 1 million that were "taking steps toward a market-oriented economy." The program acknowledged the changing face of the world economy and sought to foster the United States' participation in it.

As new markets emerged, others struggled to survive. The former Soviet Union suffered as its banking system collapsed and the ruble was devalued. Not coincidentally, Russia's purchases of U.S. agricultural exports plummeted by nearly 90 percent. Simultaneously, Russia's own

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Harvesting peas near Rio Wisconsin

farm production fell by almost 50 percent.

As a result of these factors, Russia could not feed its people. For both humanitarian reasons and as a means to retain an important market, the United States increased its food aid efforts. The total package of U.S. aid eventually reached $1 billion, half of which was donated with no expectation of any repayment. The aid eased Russia's transition from a socialist state to a participant in the world market.

Trade negotiation, always a key facet of FAS' larger objectives, increased in importance during the 1990s. The FAS administrator receives advice from the private-sector Agricultural Policy Advisory Committee for Trade, which aided in both NAFTA (North American Free Trade Agreement, successor to the U.S.-Canada FTA) and GATT negotiations. In addition, several Agricultural Technical Advisory Committees provide commodity-specific expertise from the private sector under the guidance of FAS leadership. The practice of obtaining such expert advice during important negotiations has helped modify significant world agreements.

The United States, Canada and Mexico came to terms on NAFTA in 1993. Implemented on Jan. 1, 1994, NAFTA began to eliminate most trade barriers in North America and provided for expiration periods ranging from 5 to 15 years for the remaining barriers. In the United States, agricultural exports to both Mexico and Canada increased by nearly 100 percent during the first six years of NAFTA's implementation. Beyond this initial success, NAFTA appears to have created a solid relationship that will serve North America well for many years to come.

Almost simultaneously, the negotiators of the Uruguay Round of the GATT reached a substantial agreement after nine years. The negotiations, which began in 1986 and finally concluded in April 1994, established the WTO (World Trade Organization, successor to the GATT).

The WTO mediates the increasingly complex and competitive world marketplace. Three "pillars" compose the Agreement on Agriculture in the WTO. The pillar of market access changed all nontariff barriers to tariffs, so that potential exporters could gauge the extent of remaining protection. The pillar on export subsidies formulated a series of limits to be placed on member governments. The practice of subsidizing exports was to be controlled on a product-by-product basis, which would gradually decrease market-distorting trade subsidization. The third pillar of the Agreement on Agriculture established that the WTO would monitor the amount of governmental support each member country utilized in its trade practices.

The new agreements, bolstered by continued high production of U.S. farmers, drove exports consistently beyond the $50 billion mark in the 1990s. In 1996, Congress passed the FAIR Act (Federal Agriculture Improvement and Reform, also known as Freedom to Farm), which increased emphasis on market orientation and value-added products. Proponents of this focus are optimistic that U.S. farmers can continue to meet the world's needs–in both bulk and value-added products. As one expert has stated, "The United States is big enough and strong enough to meet buyers' needs everywhere in the world. We shouldn't create a war between high-value and bulk products."

The FAIR Act also created the Facility Guarantee Program to make credit available for the improvement of agriculture-related facilities in emerging markets, and the Supplier Credit Guarantee

FAS

FAS staffers Frank Gomme and Daniel Berman (seated in front) at intergovernmental meeting of United Nations' Food and Agriculture Organization in Rome, Italy. 1980

Program, designed to make it easier for exporters to sell U.S. food products overseas by insuring short-term, open account financing.

A Look Toward the Future

U.S. agricultural exports are forecast to reach $57 billion in 2003, and the prospects for agricultural exports remain promising. FAS continues to support trade growth by adjusting as the market changes. And the Agency continues to support efforts to improve world food security.

Innovative programs, such as the pilot Global Food for Education program, have opened new doors for both U.S. farmers and the people who receive their goods. The U.S. economy as a whole continues to profit from burgeoning agricultural exports. For every dollar of agricultural export revenue, another $1.47 is created in supporting activities. Accordingly, in a year with $50 billion in exports, an additional $73 billion of revenue flows through areas such as financing, packaging and shipping. In short, agricultural exports support jobs—765,000 in 2002, for example.

FAS remains a small agency by Federal government standards, with a staff of only about 1,000 employees. This number seems especially small when one considers the scope of the organization's mission–the entire world. Its goals include helping U.S. farmers export their surplus production and also coordinating efforts to ease world famine and malnutrition. For 50 years, an official partnership between farmers and ranchers and FAS has existed.

All indications point to a continued relationship, one that will change and adjust in order to further promote the interests of both American exporters and those nations that depend on them. ■

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