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THE WHITE HOUSE
WASHINGTON

Good Data

Secretary of State
Under Secretary Lovett
Mr. Mitzi

Secretary of Commerce
Mr. V. L. Vassi

Secretary of Agriculture
Mr. Norris E. Dodd

Secretary of War, Royall
Mr. Tracy S. Voorhees

Dr. John R. Steelman
Mr. Oceane





DEPARTMENT OF AGRICULTURE
WASHINGTON



The President
The White House

Dear Mr. President:

Adverse crop developments of recent weeks have put a lower ceiling on the total quantity of grain we will be able to export this year. It will therefore be necessary to put more emphasis on foodstuffs other than grain, in order to approximate our record total food shipment in 1946-47. This can be done, and the "export availability" table in the situation report which is being submitted to you shows that much of the lowered grain shipments can be offset.

Shipping these other foods, however, immediately raises the question of relative costs per food unit. Wheat and other grains cost the least per calorie. Grain costs therefore have been used as the measuring stick for practically all food exports. Claimant countries and United States agencies responsible for foreign relief operations, have been reluctant to pay more than the "grain cost" for any export foods. In a number of instances, such agencies have said directly that they could not pay prices higher than those which would compare favorably with grain prices. For instance, General Clay doesn't want our surplus prunes (good food) at six cents a pound.

It is obvious the actual availability of different foods, and not the relative cost factor, must be given greater consideration. If this is not done, we cannot utilize our full potential for food exports to assist in meeting desperate world shortages.

For example, dried fruits and dried eggs could add materially to our export totals if claimants would pay the extra costs involved. The same is true for certain manufactured dairy products and processed fruits and vegetables which cost more than wheat and flour on a food-unit basis.

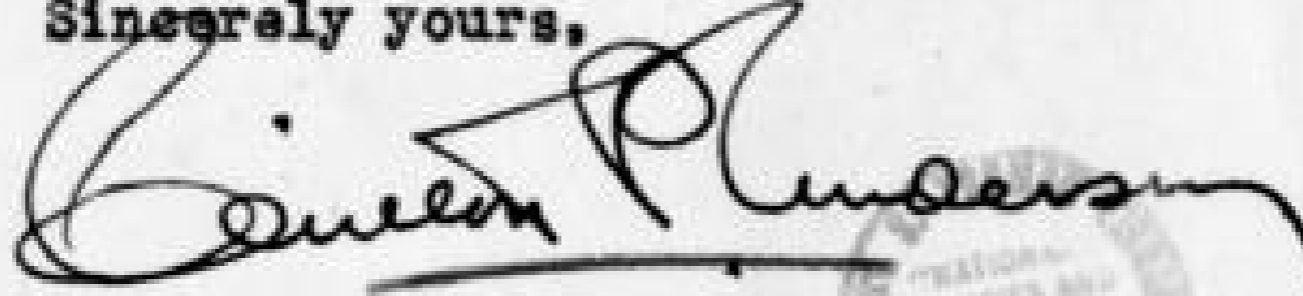
In connection with the additional "dollar costs" involved in supplying these supplemental foods, the agencies responsible for the foreign relief programs must be prepared to pay the export costs. It would not be appropriate to use funds made available by the Congress for agriculture in such a way that they would in effect be used primarily to subsidize relief shipments. There are certain instances, of course, when necessary price support operations help facilitate the availability of supplies for export.

2-The President

Because the price of wheat is basic in our whole price structure, the real cost of using supplemental foods in order to avoid inflating wheat prices unnecessarily is not as great as would appear on the surface. The price of wheat affects the price of corn and other grains. The price of grains determines largely the cost of meat, milk, eggs, and butter. The price of food is a big factor in determining the extent of wage demands, which in turn are reflected in the prices of all commodities. It would be cheaper for this country if the government agencies concerned paid the higher cost of supplemental foods for export in order to maintain reasonable wheat prices.

Unless other foods are included in our export program, the alternative is to continue bidding up the price of wheat. It is estimated that for every 25-cent increase in the price of wheat the ultimate increase in consumers cost of food alone might be as much as two and one-half billion dollars. Therefore, it now seems clear that the present situation requires a government policy which will make full use of our total exportable food resources. This will enable us to make our maximum contribution toward feeding a hungry world without creating havoc in our own domestic economy. If you agree, why shouldn't this be required of our agencies and foreign claimants?

Sincerely yours,



Secretary

