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DEVELOPING FOREIGN MARKETS FOR TALLOW

Remarks by C. R. Eskildsen, Associate Administrator,  
Foreign Agricultural Service, U. S. Department of Agriculture  
at 29th Annual Convention, National Renderers Association,  
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It is a real pleasure for me to be with you here in San Francisco.

While I have met some of your members while serving as agricultural attache in India and in West Germany, this is my first opportunity to visit with so large a group of your membership.

I bring you the greetings of Ray Ioanes, the Administrator of FAS and a good friend of your organization. Ray has met with many of you on several occasions, most recently at the convention of your Pacific Coast group last February; and, he has many good things to say about the excellent record of cooperation that unites our government organization and your private group.

It is most gratifying to us that you have chosen exports as the keynote of your convention. All of us associated with agricultural exports can take pride in the fact that in fiscal year 1962, U. S. farm product shipment abroad set a new record of \$5.1 billion. Virtually all major commodity groupings, with the exception of cotton, showed an upward trend.

Of the total, about \$3.5 billion, or close to 70 percent, represented sales for dollars--sales made primarily to the industrialized countries. The remaining 30 percent were exported under the Food for Peace program, mainly to underdeveloped countries which lack dollar purchasing power.

Exports are important to our farmers and our entire nation today as never before. We are currently exporting the output of nearly one acre in five. With our huge farm production capacity, it is clear that farmers need to maintain and expand this important segment of their market.

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Exports are important to the whole country, too, from the standpoint of our gold situation. Our holdings have dropped from their peak of \$23 billion to \$16 billion--a decline of about 30 percent. And the pressure is still on. That highlights the need for exports. When we earn dollars abroad with exports, we strengthen our economy and ease some of the pressures on our gold reserve. And agricultural products account for around one-fourth of the country's total exports.

For tallow, of course, the export picture is more favorable than for most other agricultural commodities. You are shipping abroad nearly 50 percent of our tallow production. That's a far cry from the situation 14 years ago when only 3 percent of U. S. production went overseas. The year 1961 was a record year for tallow exports, and it now appears that 1962 will establish another new record of about 1.85 billion pounds for total tallow and grease exports.

Prospects for a continued high level of tallow exports seem bright. The countries that are our best customers--the West European countries and Japan--are in a period of rapid economic growth. Other countries of Asia, as well as Africa and Latin America, as they progress, are potentially good customers for these products.

A small amount of tallow is being sold for foreign currency under the Public Law 480, Title I, program, for which tallow became eligible only last year. Programs have been developed for shipments to 7 countries. Although some of these countries are dollar purchasers of tallow, the Title I purchases represent additional sales that would not otherwise have been made.

For the 1963 fiscal year, we anticipate some increase in Title I sales of tallow for foreign currency and also expect to add some Title IV sales, which are long-term credit sales for dollars.

By far the major part of your export sales, however, will continue to be for dollars, and in that area the market development team of the rendering industry and the Foreign Agricultural Service will continue to play a major role.

The farmers and agricultural processors of the United States are low-cost, high quality producers of raw commodities as well as processed food. Our opportunity lies in our prospects of telling the consumers of the world what is available, what it costs, how good it is, and in follow up services to our foreign customers. That is where market development makes its contribution.

The cooperative market development program has made vast strides since it was launched in 1954. At that time, very little was being done overseas in the way of agricultural product promotion. Today, FAS is working actively with 48 organizations, many of which have developed outstanding organizations and programs. The cooperators have an estimated 240 people who spend at least half of their time working on foreign market development, many of whom are stationed overseas. These American trade groups are spending their own funds, as cash, goods and services, at the rate of some \$2.0 million a year. Third-party cooperators, the foreign trade, are spending about \$3.5 million per year again in cash, goods and services, and FAS expenditures last year were near \$7.5 million. This total of roughly \$13 million cannot approach the promotional job needed to maintain and expand our total U. S. agricultural exports of over \$5 billion. We don't expect

it to, however. The big job has to be done by the individual U. S. and foreign firms selling our products abroad. And much of the test of the success of the program which NRA and other U. S. trade groups are carrying out is found in the extent to which you can cause those individual firms to intensify their sales promotion efforts.

Congress has provided solid support for foreign agricultural market development and has frequently reiterated its strong desire that the program be pushed aggressively. They have just given us an increased appropriation for this work in 1963. Congress has also provided that 2 percent of the foreign currency obtained from each P. L. 480 sale shall be convertible for market development use. For example, this means that 2 percent of the Indian rupees and Egyptian pounds obtained from our Title I, P. L. 480 sales to those countries are being converted to areas such as the Common Market countries and Japan to finance our market development work. This year we will have sufficient convertibility to finance most, if not all, of our program in the hard currency areas.

Let me now comment on some of the specific progress your organization has made in market development.

Your European office in Rome has now been in operation for around six months and is off to a good start. Your European Director and U. S. representatives of the NRA participated in an important fair held at Madrid this spring. This has led to proposals to establish a technical office of the NRA in Barcelona to work under your Rome office and to service the European area. It may also lead to a promotional program with the soap manufacturers in Spain. Your Rome office is also working on an expanded seminar program in Europe for fats-in-feed, following your pioneer work in Italy last year.

In Japan the NRA has done some good work on general trade problems and on soap promotion. As you know, this program has been discontinued for the time being. However, there are prospects for a fats-in-feed program which could be very worthwhile to us and to the Japanese. The increasingly effective cooperation between the various U. S. trade groups working in Japan can contribute much to this, and to all our programs in Japan.

In Colombia your organization has done some original and useful work. This was considered a pilot project for South America, and we look forward to its being extended to other carefully selected countries. Unfortunately, Colombia has run into financial difficulties and has had to restrict, we hope temporarily, imports of tallow to last year's level. This level, although higher than in previous years, is not high enough to meet the increased demand for soap which was generated by the market development program. We hope to overcome this situation.

There is a large potential outlet for you in the increased use of tallow and grease in livestock feeds. This domestic use of your product has begun to spread to the livestock and feed programs of a few countries overseas. This fat-in-feed potential -- plus expanded industrial use of tallow in the developing countries plus new uses -- offer a great challenge and a great opportunity to your organization. There are also several countries in which more efficient livestock feeding offers some additional potential for the animal protein products of your industry. Finally, there may well be new and additional industrial uses for tallow, especially its fatty acids.

Let us talk for a moment about how you can best capitalize on these opportunities.

The first point I want to mention is concentration of effort. There is always the danger in any program of this type of initiating more projects than can be handled well with the available men and money. If our resources are limited, let's concentrate our efforts into a few areas where we can do a real job and get measurable results. If we are satisfied with what we have done, then we can move on.

Another point is continuity of personnel. We need to select the best people we can find to send abroad -- people who can continue to work with a market development project within a country long enough to produce results. If you send the same man back to a country, or station him there, the trade becomes acquainted with him, learns to trust him, and begins to work with him. Your man, in turn, learns how to operate there. He meets the people who can get action; he finds out which market promotion techniques will work and which won't; he learns more about the wants and needs of the users of your products. Frequent changes of personnel mean lost motion, which neither you nor we can afford.

My third point concerns the amount of resources put into the program.

The major factor determining the size of our overseas tallow promotion program to date has been the amount of resources which your group has been prepared to put into it. At the beginning we established the principle that, where we worked through trade associations, the associations should provide the supervision and technical back-stopping required to carry out the program. So far, thanks to Congressional support, we have been able to provide you with as many funds as you could utilize under these criteria.



If the U. S. rendering industry and your colleagues abroad are prepared to expand your contribution, we will give sympathetic consideration to increasing the government's contribution. The government has been contributing about \$100,000 per year to the development of new foreign markets for tallow. If you in the industry feel that this work should be expanded, you must take the lead in formulating, carrying out, and supporting appropriate programs.

I would not want to close without touching on the European Common Market which is so much in the news these days.

On November 1, Greece will be granted full "associate" status. Several other countries, including Turkey, Austria, Sweden, Switzerland, Spain, and Portugal also have applied for some sort of association status. The application of the United Kingdom for full membership is now being considered by the Common Market. Ireland, Norway, Denmark, also have applied for membership.

The Common Market's population already is about as big as that of the United States. Should all the Western European countries join as full members or associates, the Common Market's population would be over 300 million. This area now represents an outlet for U. S. farm products, on the basis of 1962 exports, valued at approximately \$2.0 billion.

The Common Market is something that the United States has encouraged and nurtured. After World War II, you will recall, the United States moved into Europe with the Economic Recovery Program, better known as the "Marshall Plan." The Marshall Plan laid the groundwork for European recovery and cooperation. We can be glad that it all has turned out as it has. A strong Western Europe is a buffer against Communism.

We need that. And it is working. One of the best signs that it is working is the fact that Premier Khrushchev has come out against it.

However, the Common Market has created some problems for our agriculture. They aren't insurmountable. But neither can they be shrugged off. More problems will develop as the Common Market begins to implement its known general policies into yet unknown procedures. The United States is carrying on continuous negotiations to persuade the Common Market to adopt procedures which will not be detrimental to U. S. exports.

For about two-thirds of our agricultural exports to the Common Market countries, however, the future appears bright, and tallow is one of these.

The Common Market countries are a very important market for inedible tallows and greases. In 1961, this trade amounted to \$41 million. Indications are that in 1962 this figure will be substantially larger, with exports to Italy and the Netherlands showing substantial expansion.

One fly in the ointment is that the Common Market, in setting its common external tariff has bound the tariff on tallow at 2 percent ad valorem. This compares to the current duty of less than one-half of one percent. This increase, if it takes effect, would be more in the nature of a nuisance than a barrier and probably would not seriously affect our exports to the area.

Potentially more serious is the authority which the Common Market has, under its common agricultural policy, to restrict imports of certain products through a system of import certificates/ and prior deposits. Such restrictions, if used, could be a real barrier to tallow trade. FAS is keeping its eye on this situation and is prepared to work to obtain any modifications necessary.

One of the most significant developments during the past session of Congress was the passage of the Trade Expansion Act of 1962. This gives us a powerful tool for dealing with the Common Market and our other trading partners around the world. For one thing, it will enable the United States to make more significant reductions in some of our industrial tariffs in return for reciprocal concessions in agricultural products. By permitting us to deal with whole categories of items rather than single items, it also gives us a more flexible approach for negotiating tariff reductions with foreign governments. Agriculture is an important part of our foreign trade and this much needed new legislation gives us a much needed instrument in government to government negotiations for helping to bring about increased exports of U. S. agricultural products.

But all the work that can be done through negotiation and official action to obtain and maintain access to foreign markets for tallow or any other U. S. agricultural product will not suffice to put our products into use by foreign consumers. They must be sold. FAS cannot make the sales, but we can assure you of our whole-hearted desire to support and encourage these sales by those of you in private industry.

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