United States
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Agricultural Export Programs

Background for 1990 Farm Legislation

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Agricultural Export Programs: Background for 1990 Farm Legislation. By Karen Z. Ackerman and Mark E. Smith. Commodity Economics Division, Economic Research Service, U.S. Department of Agriculture. Staff Report No. AGES 9033.

Abstract

Lawmakers authorized several new export programs under the Food Security Act of 1985 in an attempt to increase agricultural exports. U.S. agricultural exports began to recover in fiscal 1987 and, in fiscal 1989, climbed to $39.6 billion, their highest level since 1981. Since 1986, U.S. agricultural export programs, a depreciating dollar, lower domestic commodity prices relative to world prices, and increased demand from importers have contributed to improved agricultural export sales. However, competition for world agricultural markets also has increased. Export programs help U.S. exporters meet subsidized competition, provide humanitarian relief, assist credit-seeking importers, and may help develop new overseas markets for U.S. agricultural products. Issues which could affect export programs in 1990 legislation include tightened U.S. and global grain stocks, potential budget exposure for increased loan guarantees, and the outcome of trade negotiations under the Uruguay Round of the General Agreement on Tariffs and Trade.

Keywords: export programs, exports, food aid, subsidies, credit, trade negotiations, world trade, Export Enhancement Program.

Foreword

Congress is considering new farm legislation to replace the expiring Food Security Act of 1985. In preparation for these deliberations, the Department of Agriculture and many groups throughout the Nation are studying preceding legislation to see what lessons can be learned that can be applied to the 1990's. This report, written by Karen Z. Ackerman and Mark E. Smith, is one of a series of new and updated Economic Research Service background papers for farm legislation discussions. These reports summarize the experience with various farm programs and the key characteristics of the commodities and the farm industries which produce them. For more information, see the Additional Readings listed at the end of the text.

The authors thank Ann Fleming, Steve Haley, Shahla Shapouri, Fred Surls, Nicole Ballenger, and Ron Trostle of the Economic Research Service, and Beth Callanan, Mary Chambliss, Beverly Simmons, Ira Branson, Amy Brooksbank, Dee Linse, and Tim Rocke of the Foreign Agricultural Service for their extensive reviews. Appreciation is also extended to Linda Beeler for her statistical assistance and Cecilia Clark for her work on the tables and organization of the document. Finally, the authors would like to thank James R. Sayre and Bonita Moore for their expeditious editing of the manuscript.

Washington, DC 20005-4788 May 1990

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Summary

The United States has long supported agricultural exports through a variety of export programs. These programs have been designed to help overcome obstacles to greater exports and have at times accounted for a large share of U.S. agricultural exports. In the Food Security Act of 1985, expanded and amended food aid programs were meant to increase the volume and effectiveness of U.S. food aid. A new credit guarantee program helped increase the ability of U.S. exporters to sell in markets with tight foreign exchange constraints. The Export Enhancement Program and related price subsidy programs helped U.S. exporters meet subsidized competition. Market development programs authorized under the act have contributed to, although they are not solely responsible for, expanding sales to specific markets.

However, the environment for agricultural trade has changed since the 1985 Act was written. Domestic and global supplies of some agricultural commodities such as wheat have tightened considerably since 1985. The current stock situation in the United States limits exports of U.S. wheat and its provision as food aid. So, at least in the near term, it is unclear to what extent export programs for commodities in tight supply are needed to boost exports. These tight supplies are likely to prove temporary, however.

Developing countries, often cited as potential growth markets, are a more serious longrun problem, since they continue to suffer from debt problems which have hampered their economic growth and ability to purchase U.S. agricultural goods. Given these debt problems, the CCC export credit guarantee programs have the potential to facilitate sales of U.S. exports on a year-to-year basis, although the recipients' long-term market growth potential depends on resolution of their debt situation. Growing developing country needs come at a time when some Eastern European countries will need credit to increase imports of agricultural commodities. However, with growing concern over Government liabilities under other guarantee programs, it is possible that concern may spill over to the export credit guarantee programs.

Market development programs achieved greater prominence and funding under the Food Security Act of 1985. One question to be answered is which products are most effectively promoted under such programs: bulk or value-added, generic or branded. Another question is under which conditions might these programs be more effective than other export programs.

Trade liberalization is a final critical variable in the outlook. Trade negotiations under the Uruguay Round, which were initiated after implementation of the 1985 Food Security Act, will be completed in 1990. If participating nations agree to reduce subsidies, programs such as the EEP may be phased down. However, if no satisfactory agreement is achieved, calls for legislation could result in an expansion of the EEP and other export programs directed at competitors' trade practices.

Agricultural Export Programs

Background for 1990 Farm Legislation

Karen Z. Ackerman
Mark E. Smith

Introduction

The 1985 Food Security Act was written in an environment of high domestic support prices relative to world prices, an appreciating dollar, declining U.S. agricultural exports, high domestic stocks, and increasing competitor production. To increase agricultural exports, lawmakers authorized several new export programs and extended other longstanding programs.

The 1985 Food Security Act became law in December 1985. U.S. agricultural exports began to recover in fiscal 1987 and, in fiscal 1989, climbed to $39.6 billion, their highest level since 1981. Since 1986, U.S. agricultural export programs, a depreciating dollar, lower domestic commodity prices relative to world prices, and increased demand from importers have contributed to improved agricultural export sales. However, the United States still faces stiff competition in world agricultural markets and financial constraints to importer demand.

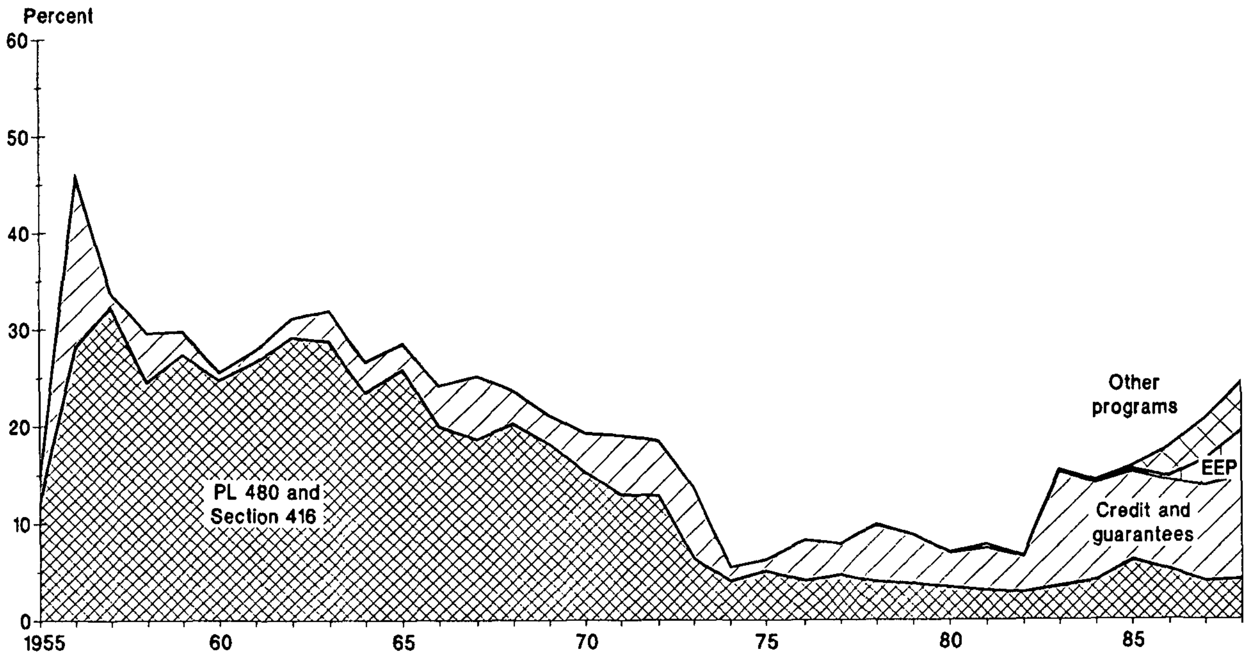
This report summarizes the major export programs since World War II. Some of the programs currently in operation were first authorized in the years following World War II. Other export programs authorized by the 1985 Food Security Act have their roots in historical programs. The report defines the objectives, operations, and costs of the major export programs currently in operation and the commodities and countries affected. Historical changes in program expenditures, commodities, and destinations are highlighted. Finally, the report defines issues related to the effectiveness of export programs and the programs' roles in increasing U.S. agricultural exports.

Export programs have become major tools of U.S. agricultural policy in recent years. The value of commodities exported under the programs has risen significantly (fig. 1). This report should contribute to an understanding of the role of export programs in U.S. agricultural trade. Descriptions of the export programs and issues highlighted in this report will be useful in the development of 1990 agricultural legislation.

Importance of Agricultural Exports

Trade has played an integral role in U.S. agriculture through most of the 20th century. With the exception of the 1930's, a period characterized by

Figure 1
Program shipments of agricultural products 1/



1/ Other export programs include CCC barter and CCC direct sales.
Export subsidies prior to the EEP are not included.

Depression-era tariff laws, and the 1940's, agricultural exports have provided important outlets for U.S. agricultural production (table 1). For example, almost 25 percent of the wheat crop was exported from 1900 through 1930. In the 1950's, the export share of wheat production reached 33 percent each year, and climbed to an average of 58 percent in the 1970's.

Role of Export Programs in U.S. Agricultural Export Markets

The Federal Government first assisted agricultural exports in the late 1920's in response to mounting agricultural surpluses, and has continued to support agricultural exports with several types of programs. Export programs have been used to dispose of agricultural surpluses, to increase foreign demand for U.S. agricultural products, and to support humanitarian efforts.

The United States has used four basic methods to increase exports: price reduction, provision of commercial credit, provision of food aid, and nonprice promotion (table 2). Export payments (in cash or in kind) have allowed exporters to sell U.S. agricultural products at world prices when U.S. prices were supported above world prices and to counter the effects of competitors' export subsidies. Food aid programs, which help friendly nations overcome hunger, also have been used as foreign policy tools. Export credit and credit guarantee programs have assisted foreign buyers with foreign exchange constraints to purchase U.S. agricultural products. Generic and branded nonprice promotion programs have attempted to increase foreign demand for U.S. agricultural goods. All export programs, concessional or commercial, have attempted to maintain or increase U.S. exports and, indirectly, farm income.

Table 1--Average share of U.S. production exported for selected crops, by decade, since 1870

Decade	Wheat	Cotton	Tobacco	Corn	Soybeans	Rice
			Percent			
1870-79	25.4	64.7	59.1	4.4	[1]	[2]
1880-89	26.9	65.6	45.3	3.1	[1]	[2]
1890-99	30.1	68.6	37.3	5.3	[1]	[2]
1900-09	22.0	67.1	35.4	2.8	[1]	[2]
1910-19	23.5	57.6	37.0	1.8	[1]	[2]
1920-29	26.0	57.5	38.8	1.3	[1]	[2]
1930-39	8.4	50.9	31.4	1.6	6.7[3]	16.6
1940-49	18.7	23.1	22.4	2.0	2.8	42.7
1950-59	35.9	35.7	23.6	4.5	16.3	49.6
1960-69	53.6	35.0	26.1	12.4	28.1	61.2
1970-79	58.1	41.2	36.7	24.4	38.3	58.9
1980-88[4]	52.8	45.8	33.4	25.9	39.6	48.9

[1] Soybean production and trade data not reported prior to 1931.
[2] Rice production and trade data not reported prior to 1910.
[3] Nine-year average used.
[4] Eight-year average used for tobacco.
Source: Paarlberg and Webb; Updated from U.S. Dept. Agr., Agricultural Statistics, 1988, and U.S. Dept. Agr., Econ, Res. Serv., Agricultural Outlook.

Export Price Subsidies

Export price subsidies have been used to enable the United States to meet price competition in world agricultural markets when domestic agricultural policies supported prices above competitors' prices and to counter the effects of competitors who subsidized their exports. The Foreign Agricultural Service, U.S. Department of Agriculture, currently administers the Export Enhancement Program (EEP), a targeted export subsidy program.

Export Enhancement Program

The EEP was implemented to achieve three primary objectives: to increase U.S. agricultural exports, challenge competitors who subsidize their exports, and encourage U.S. trading partners to begin serious trade negotiations on agricultural trade problems.

Enabling Legislation and Program Levels

On May 15, 1985, Secretary of Agriculture John Block used the Secretary's authority under the Commodity Credit Corporation (CCC) Charter Act to announce the EEP. The EEP then was incorporated into the Food Security Act of 1985 under section 1127 which authorized that $2 billion in CCC commodities be provided through September 30, 1988, to U.S. exporters, processors, or foreign purchasers at no cost to encourage the development, maintenance, and expansion

Table 2-- Selected chronology of U.S. agricultural export programs

Year	Price subsidy	Credit/guarantees	Food aid	Market development	Other
1935	Section 32 for exports (1935-74)	Export-Import Bank loans/guarantees (1935-present)			
1947				First State check-offs for generic promotion	
1948			Economic Cooperation Act (Marshall Plan)		CCC chartered as a Federal corporation
1949	Cash subsidies to assist wheat exports under the IWA (1949-74)	Special loans to Afghanistan, India, Pakistan, Spain, and the United Kingdom	Section 416(b) (1950-54, 1982-)		Agricultural Act of 1949
1953			Mutual Security Act		
1954			Public Law 480 (1955-present)	Title I of PL 480 currencies for market development, Cooperator Program (1955-present)	PL 480 barter (1954-63)
1956		CCC direct credit sales (GSM-5), 1956-1980, 1984-85			
1958	Payment-in-kind for wheat, feed grains, cotton exports				
1961				First appropriation for Cooperator Program	
1962	Payment-in-kind for non-fat dry milk exports				
1963					Barter under CCC Charter authority (1963-73)
1971				Export Incentive Program (1971-present)	
1978		GSM-301 (1981-82)			Agricultural Trade Act of 1978
1979		GSM-101 (1979-81) GSM-201 (1979-81)			
1980		GSM-102 (1980-present)	Food Security Wheat Reserve Act (1980-present)		
1982			Section 416(b) reauthorized (1983-present)		
1983	Subsidized flour sales to Egypt	Blended credit (1983-85)			
1984	CCC sales to African countries (PL 98-248)				
1985	Export Enhancement Program (1985-present) Dairy Export Incentive Program (1986-present)	GSM-103 (1986-present)	Food for Progress (1986-present) Section 416(b) expanded	Targeted Export Assistance Program (1986-present)	Red meat sales (1986-87) Mandated dairy sales (1986-88) Agricultural Trade and Development missions (1986-present)
1988	Sunflowerseed Oil Assistance Program				
1989	Cottonseed Oil Assistance Program				

of U.S. agricultural export markets. The 1985 Act specified that the program was to help make U.S. commodities more competitive by offsetting subsidies or other "unfair trade practices," the adverse effects of price support levels temporarily above competitors' export prices, or fluctuations in exchange rates. The 1985 Act gave authority to the Secretary of Agriculture to make available for program use transferable "green dollar export" certificates (commodity certificates) which could be redeemed within 6 months of issuance for CCC commodities.

The 1985 Act further required that, for an authorized export promotion program which included a bonus or incentive payment, the Secretary was to attempt to use 15 percent of the program funds (or value of the commodities involved) each year to promote exports of poultry, beef, or pork and meat products (see "Other Export Programs" section).

The $2 billion funding level for the EEP authorized under the 1985 Act was amended by the Food Security Improvements Act of 1986 (table 3). The 1986 legislation required that not less than $1 billion and not more than $1.5 billion in CCC-owned commodities be used as EEP bonuses from 1985 through September 1988. On July 30, 1987, USDA announced that the EEP would continue under the CCC Charter Act provisions after the $1.5 billion maximum level for bonus awards had been exceeded.

Table 3--Export Enhancement Program authorized program levels and the market value of EEP bonuses awarded to exporters

Legislation and applicable time period	Authorized program level	Market value of bonuses [1]
	Billion dollars	
Food Security Act of 1985 and 1986 Food Security Improvements Act		
Fiscal 1986-88	1.0-1.5	2.2
Fiscal 1986		.3
Fiscal 1987		.9
Fiscal 1988		1.0
Omnibus Trade Act of 1988		
Fiscal 1986-90	1.0-2.5	2.72[2]
Fiscal 1989 appropriations (PL 100-460)		
Fiscal 1989	.77	.34
Fiscal 1990 level	.57	.18

[1] EEP bonuses are awarded in commodity certificates redeemable for commodities in CCC inventories.
[2] The EEP is operating under CCC Charter authority. The market value of fiscal 1990 bonuses applies to sales announced as of April 5, 1990.

The Omnibus Trade and Competitiveness Act of 1988 authorized an additional $1 billion to be awarded through fiscal 1990. The Agricultural Appropriations Act for fiscal 1989 subsequently set a limit on EEP bonuses to be awarded during fiscal 1989 of not more than $770 million. The fiscal 1990 agricultural appropriations act also set a cap of $770 million on the EEP, but the cap was lowered to $566 million during the reconciliation of the 1990 budget.

The market value of bonuses awarded under the EEP increased in the first 3 years of the program, but has decreased since fiscal 1988. EEP bonuses since the beginning of the program totaled $2.72 billion as of April 5, 1990. The program currently is operating under CCC Charter authority.

Targeting and Sales Under the EEP

Proposals for countries and commodity markets to be targeted under the EEP originate with foreign government officials and private importers, members of the U.S. agricultural community, USDA program specialists, and others. USDA first reviews the proposal, which, after approval, is presented to an interagency group, the Trade Policy Review Group (TPRG), for review.[1] If the interagency review group approves the proposal, USDA announces that importers in the targeted country may tender for a specified quantity of the designated commodity.

After the country tenders for the designated commodity, exporters bid for the sale. After arranging sales which may be contingent on receiving a CCC bonus, the exporters then compete against one another for the bonus. The CCC evaluates both the sale prices to the purchaser in the foreign country and the bonus bids. The bonuses are awarded to the exporter(s) whose sale price and bonus bid fall within predetermined ranges.

After completing the sale, the selected exporter or exporters present proof of the commodity's export to the CCC and receive the bonus in the form of commodity certificates redeemable for CCC commodities. The exporter may then sell the certificates or redeem them for any commodity available from CCC inventories.

Guidelines For EEP Initiatives

When the EEP was announced, four criteria were established to govern the program's operation. The four criteria published in the Federal Register in June 1985 were: additionality, targeting, budget neutrality, and cost effectiveness. Additionality, defined as the increase in exports due to the EEP, specified that EEP sales must increase U.S. exports above what would have occurred in the absence of the program. The targeting criterion required that EEP sales be targeted on specific market opportunities, especially those that challenge competitors which subsidize their exports. A third criterion, budget neutrality, required that EEP sales not increase budget outlays beyond

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[1]The TPRG is chaired by a Deputy U.S. Trade Representative and is made up of Under Secretaries and Assistant Secretaries from the Departments of Agriculture, State, Commerce, Labor, Treasury, and Transportation; the Office of Management and Budget; the Council of Economic Advisors; and other agencies with interest in the topic under discussion.

what would have occurred in the absence of the program. Cost effectiveness, the fourth criterion, meant that EEP sales should benefit the overall economy.

On November 27, 1989, USDA's Foreign Agricultural Service (FAS) published guidelines for the EEP in the Federal Register.[2] The new guidelines, which replace the four criteria, emphasize the EEP's trade policy objectives: challenging subsidizing competitors and furthering negotiations in the GATT Uruguay Round.

The first guideline requires that all EEP initiatives must further the U.S. negotiating strategy in the Uruguay Round by countering competitors' subsidies and other "unfair" trade practices. EEP subsidies should help U.S. exporters displace the exports of subsidizing competitors in specified, or targeted, countries. Under the second guideline, each EEP initiative should demonstrate a potential to develop, expand, or maintain markets for U.S. agricultural commodities. The third guideline requires that USDA not approve an EEP sale which would have more than a minimal effect on nonsubsidizing competitors. The fourth guideline, concerning EEP bonuses, requires that the overall EEP program level and bonuses for individual EEP sales be maintained at the minimum levels necessary to achieve the expected benefits of the program's trade policy and export expansion objectives.

Scope of the EEP

Since May 1985, 105 initiatives have been announced for 12 commodities and 65 countries worldwide. As of April 5, 1990, CCC commodities valued at $2.72 billion were awarded to exporters for sales of agricultural commodities valued at $10.2 billion. The value of commodities sold annually under the EEP increased from $800 million to $3.3 billion in fiscal 1986 through 1988, but decreased slightly to about $3 billion in fiscal 1989. The value of fiscal 1990 commodity sales under the EEP was about $1.6 billion on April 5, 1990.

Commodities Sold Under the EEP

By value of sales, wheat is the most important EEP commodity, accounting for almost 85 percent of EEP sales from fiscal 1985 through 1989 (table 4). Barley is next in importance, followed by flour, vegetable oils, frozen poultry, dairy cattle, rice, poultry feed, barley malt, sorghum, eggs, and semolina. Wheat accounted for 69 percent of the market value of EEP bonuses, followed by barley, flour, dairy cattle, frozen poultry, and vegetable oils.

Wheat and flour were the first commodities targeted for EEP sales in June 1985. Wheat sales volume increased from fiscal 1986 through 1988, then declined in 1989 (table 5). Wheat shipments under the EEP have accounted for almost 60 percent of U.S. wheat exports since 1988. EEP flour sales peaked in fiscal 1986 at 700,000 tons, but were less than 500,000 tons in fiscal 1988 and 1989.

[2]In its announcement, FAS did not use the term "criteria," but instead called the four items "guidelines" for the operation of the program.

Table 4--Commodity shares of EEP sales value, fiscal 1985-89

Commodity	Share of sales value	Commodity	Share of sales value
	Percent		Percent
Wheat	82.2	Rice	0.6
Barley	5.8	Poultry feed	.5
Flour	4.9	Barley malt	.3
Vegetable oils	2.5	Sorghum	.3
Frozen poultry	1.6	Table eggs	.3
Dairy cattle	.9	Semolina	.1
		Total	100.0

Source: Calculated from data from U.S. Dept. Agr., For. Agr. Serv.

The United States first offered barley, sorghum, and barley malt under the EEP in 1986. Barley and sorghum sales under the EEP peaked at 3.5 million tons in fiscal 1987, but dropped to 1.9 million tons in fiscal 1988 and 530,000 tons in fiscal 1989. EEP sorghum sales of 319,000 tons represent a very small share of total sorghum sales, but EEP barley exports represented almost all U.S. barley exports in 1986 and 1987. Sales activity has been less frequent for other commodities targeted under the EEP. For example, EEP sales of vegetable oils totaled 357,000 metric tons in fiscal 1988, but dropped to 105,000 tons in fiscal 1989. Dairy cattle sales were terminated in 1988 and the last sales of semolina were in 1987. EEP bonuses have varied with market conditions and the level of competition among exporters (table 5). For example, EEP bonuses for wheat sales averaged $28.74 per metric ton from fiscal 1985 through 1989, and ranged from a high of $38.35 in fiscal 1987 to a low of $17.76 in fiscal 1989.

Countries Targeted for EEP Sales

The first countries targeted for EEP sales were Algeria, Egypt, Yemen, and Morocco. Since the program began, over 65 countries have been targeted under the EEP. Importers in most of the targeted countries have made purchases of two or more commodities under the program (see app. table 1).

Sales of the 12 EEP commodities have been focused on importers in the Soviet Union, China, North Africa, and the Middle East. Over 90 percent of the volume of EEP sales of barley, flour, frozen poultry, rice, and semolina went to importers in North African and Middle Eastern countries from May 1985 through December 15, 1989. Major importers of wheat under the EEP for the same period are the Middle Eastern and North African countries (34 percent), the Soviet Union (28 percent), and China (20 percent). The Soviet Union does not purchase commodities other than wheat under the EEP and China purchased only 185 head of dairy cattle under the EEP in addition to its wheat purchases.

Table 5--EEP initiatives, sales, and bonuses, by commodity, fiscal 1985-89

Year	Initiatives	Sales	Average bonus
	- - - - 1,000 metric tons - - - -		Dollars per metric ton
Wheat:			
1985	3,100	500	22.15
1986	5,306	4,847	26.17
1987	16,060	14,053	38.35
1988	31,390	26,584	30.78
1989	17,350	16,073	17.76
Total	73,206	62,057	28.74
Flour:			
1985	650	175	66.04
1986	1,044	703	83.19
1987	265	668	103.84
1988	270	322	98.25
1989	300	479	63.57
Total	2,529	2,347	85.86
Barley/sorghum:			
1986	2,160	946	30.05
1987	3,400	3,455	41.25
1988	2,100	1,877	34.36
1989	375	529	5.82
Total	8,035	6,807	35.04
Rice:			
1986	40	23	67.68
1987	130	28	41.57
1988	0	120	108.14
1989	40	20	11.31
Total	210	191	83.45
Vegetable oils:			
1986	25	0	0.00
1987	60	25	39.68
1988	560	357	140.86
1989	60	105	109.46
Total	705	487	128.92
Frozen poultry:			
1986	43.0	43.0	742.27
1987	99.5	94.5	638.21
1988	98.0	14.1	492.26
1989	0	7.5	489.65
Total	240.5	159.1	646.36
Table eggs:	--1,000 dozen--		Cents per dozen
1986	3,667	0	0
1987	22,000	12,659	.38
1988	21,000	17,741	.29
1989	4,000	4,224	.14
Total	50,667	36,458	.30

Source: Calculated from U.S. Dept. Agr., Econ. Res. Serv. database compiled from press releases.

Historical Export Price Subsidies

Export payments were authorized under several pieces of legislation (app. table 2). Cash subsidy payments for several agricultural commodities were authorized annually under Section 32 of the Agriculture Act of 1935 (PL 320). Under Section 32, 30 percent of the duties collected on imported commodities were used to sell surplus U.S. agricultural commodities in world markets.

Private exporters purchased commodities at domestic prices for export at world prices and received cash to make up the price difference. From its implementation in 1935 through 1974, Section 32 facilitated exports of fruit, sorghum, wheat, peanuts, and eggs, among other agricultural commodities.

U.S. export payment programs also were operated under the authority of the Commodity Credit Corporation, an independent corporation which has served as the financial institution for Federal farm commodity price support and production programs since 1933. Under the CCC Charter Act and the Agricultural Act of 1949, the CCC has broad authority to operate programs to support agricultural commodity prices; dispose of surpluses; procure commodities for sale to other Government agencies, foreign governments, and relief agencies, and to meet domestic requirements; to expand domestic consumption; and to facilitate the export of U.S. agricultural commodities.

The CCC established an export subsidy program under CCC Charter authority in July 1949 (6 CFR Part 571) to enable grain exporters to sell U.S. wheat within the price ranges established under the International Wheat Agreement (IWA) of 1949. The CCC paid wheat exporters the difference between the U.S. domestic wheat price and the lower IWA price in cash from 1949 through 1956 and then in kind until 1966. Beginning in 1956, the CCC issued certificates equal to the applicable subsidy rate to exporters on proof of export from private stocks. Export payments for flour were made in cash. Subsidies were used to sell wheat under the IWA through 1966.

Under its Charter authority, CCC implemented export payment-in-kind (PIK) programs similar to the wheat program for corn (April 1958); barley, oats, grain sorghum, and rye (July 1958); and rice (December 1958). Prior to the PIK programs for these commodities, CCC at times offered feed grains for export from price support stocks at less than domestic market prices. Cotton was exported from CCC stocks at world prices after 1955. In 1958, a PIK program was initiated for cotton exported from commercial stocks. In 1962, a PIK program was initiated for nonfat dry milk.

Export payment programs continuously assisted U.S. agricultural exports from 1955 through 1974. The Government offered export payments to assist agricultural exports under concessional programs such as PL 480 as well as commercial exports. In 1974, rising commodity prices and decreased commodity inventories resulted in a termination of the export subsidy programs.

Exports under Section 32, the IWA, and PIK or in cash programs represented close to a fourth of the value of U.S. agricultural exports from 1961 through 1974 (app. table 2). For some commodity groups such as wheat and flour, subsidized exports accounted for more than 60 percent of U.S. exports. Wheat exports under payment programs peaked in 1973 when the United States exported large quantities of wheat to the Soviet Union.

After 1974, the United States made relatively few subsidized sales of wheat and flour until announcement of the EEP. In 1983, U.S. exporters sold 1 million tons of flour to Egypt at prices $100 per ton or more below U.S. prices in an attempt to compete with subsidized wheat in the Egyptian market. The exporters then received wheat from CCC inventories to make up the price difference. The CCC also made commodities available to exporters from its inventories to sell to African countries in 1984.

Competitors' Export Subsidies

The EC is a major agricultural exporter using export subsidies to compete for world agricultural exports. Under its Common Agricultural Policy (CAP), the EC supports high internal agricultural commodity prices and awards export refunds (restitutions or subsidies) to exporters to ensure that EC agricultural products are competitive in world markets.

A system of export refund tendering is applied to the bulk of EC exports. For example, grain merchants bid for export refund rates for the quantity of free market wheat supplies which they want to export. After reviewing the bids, the EC fixes a maximum per ton refund rate. Exporters with bids that are less than or equal to the maximum rate are awarded contracts. The exporter then must apply for an export license which is valid for a specific time period, usually 5 months. After the grain is exported, the grain merchant receives an export refund equal to the refund rate (per ton) of his bid multiplied by the quantity exported. Most refunds apply to all zones (groups of countries); however, the EC may target refunds to specific countries as it competes with other exporters. The EC also publishes a "common" refund for wheat to be exported to specific neighboring countries.

Other major agricultural exporters such as Australia and Canada do not use export subsidies. However, both of these countries export wheat and other commodities through marketing boards which cushion returns to producers from sharp declines in world prices through guaranteed minimum price arrangements.

EEP Issues

Two major issues concerning the EEP are the effectiveness of the program in expanding exports and in targeting subsidizing competitors. Several ERS studies have explored the EEP's role in expanding exports of wheat, the chief commodity sold under the program.

ERS research credits the EEP with increasing U.S. wheat exports, but recognizes the importance of other contributing factors: the lower U.S. loan rate for wheat, increased Soviet and Chinese wheat imports, lower and poorer quality supplies in other major wheat-exporting countries, and dollar depreciation. ERS studies suggest that the EEP had its greatest effect on wheat exports in the 1986/87 (June/May) crop year (table 6).

Several factors cause the EEP's effects on exports to vary over time. The choice of targeted countries is important because some countries will increase their imports of wheat more than others in response to reduced EEP prices. The response of competitors also counts. Market conditions also determine the EEP's effectiveness in increasing exports. The EEP is a better tool for export expansion when U.S. supplies are large and competition for markets is fierce, as in the 1986/87 crop year. In an environment of tighter supplies and increased demand from importers, the EEP has less effect on exports.

Another major goal of the EEP is to counter competitors' subsidies and other unfair trade practices by displacing their exports in targeted markets. According to ERS research, EC export restitutions for wheat grew to estimated $1.8 billion in 1988 from $365 million in 1985. The EEP, lower U.S. loan rates, and the depreciation of the dollar relative to the European Currency Unit (ECU) also forced the EC to lower its export prices with larger per unit restitutions.

Table 6--Summary of research findings showing how much the EEP increased wheat exports, 1985-88

Time period	Researcher	Export increase
		Percent
Oct. 1985 - Mar. 1986	Seitzinger	2-3
June 1986 - May 1987	Bailey	20
July 1986 - June 1987	Haley	10-30
Apr. 1987 - June 1987	Seitzinger	12-14
June 1987 - May 1988	Bailey	7

Sources: Bailey (1988); Haley; and Seitzinger and Paarlberg.

While the markets of subsidizing competitors are the main targets of the EEP, the EEP may affect other nonsubsidizing competitors both by contributing to decreases in world prices and by inadvertently displacing export volume and market share in targeted markets. The effects of the EEP alone are not separated easily from other factors. For example, both Argentina and Australia experienced reduced market share and wheat acreage after 1985. In Argentina, wheat area harvested fell one year due to flooding and the next year due to drought. Australian wheat acreage declined due to very high beef and wool prices coupled with low world wheat prices.

ERS research has examined the effectiveness of the EEP in increasing exports and in targeting subsidizing competitors. Policymakers may want to ask several other questions about the EEP's effectiveness:

- Has the EEP encouraged our trading partners to negotiate? Although the EEP's growth has coincided with progress in the Uruguay Round of the GATT, it is difficult to assess the role that the EEP actually has played in furthering trade negotiations. The United States has used the EEP as a negotiating tool at the GATT and has proposed to keep the program until other nations drop their export subsidies. If trading nations reach an agreement to discipline agricultural support programs, the EEP may no longer be necessary.

- How does the EEP benefit producers? The EEP may increase farm income for nonparticipating farmers when increased U.S. exports raise domestic prices. According to two ERS studies, U.S. wheat prices rose slightly due to the EEP when price rises from increased exports surpassed the price-dampening effects from the release of CCC stocks awarded as EEP bonuses.

- Are value-added products better targets for EEP sales than bulk commodities? Most EEP sales have been targeted to basic grains such as barley, rice, sorghum, and rice. Smaller quantities of flour, barley malt, vegetable oils, and other processed commodities also have been sold under the program. Some argue that processed products are good candidates for EEP bonuses since the EC subsidizes sales of processed as well as bulk commodities. In addition, increased sales of processed products benefit the U.S. industrial sector, helping to maintain or increase employment.

However, targeting processed products under the EEP is expensive (see bonuses in table 5). For example, in 1987, the EEP contributed to increases in frozen poultry exports, although bonuses for the sales averaged 40 percent of the value of the poultry.

- Since 1985, EEP bonuses have been awarded to exporters in the form of commodity certificates redeemable for CCC inventories. Another issue concerns changes in economic effects of the EEP if cash bonuses instead of generic certificates were awarded to exporters.

Credit and Credit Guarantee Programs

Government-offered credit guarantees facilitate U.S. commercial agricultural exports to countries that may not be able to purchase U.S. agricultural imports without credit and help U.S. exporters to meet competition from other exporting countries. CCC credit guarantees increase the availability of credit at lower interest rates for these countries than would otherwise be possible because most of the risk of nonpayment is transferred to the CCC.

Current Credit Programs

USDA's Foreign Agricultural Service operates two credit guarantee programs for the CCC through the Office of the General Sales Manager. The Export Credit Guarantee Program (GSM-102) has guaranteed repayment of short-term credit (up to 3 years) since 1981. GSM-102 was the largest export program in 1989 at $5 billion. However, GSM-102 involves no direct budget outlays unless CCC is obliged to make payments for the debtor bank. The Intermediate Export Credit Guarantee Program (GSM-103) is similar to GSM-102 in many respects, but covers credit extended for more than 3 years to 10 years.

Legislation and Program Levels

The Food Security Act of 1985 established the Intermediate Export Credit Guarantee Program (GSM-103) to supplement existing CCC credit and credit guarantee programs. In conjunction with the establishment of the new program, the 1985 Act amended the existing intermediate credit programs to allow intermediate credit guarantees on loans in excess of 3 years and up to 10 years. The CCC was required to make at least $500 million available each year through 1988 and up to $1 billion available in 1989 and 1990 for the new intermediate credit guarantee program. The 1989 Agricultural Appropriations Act authorized the CCC to make available a minimum of $500 million in guarantees for fiscal 1989. The 1990 program level for GSM-103 is $500 million. The 1985 Food Security Act also made available at least $5 billion each year for GSM-102 in fiscal 1986-90. Program levels for fiscal 1986 through 1989 have followed the level authorized in the 1985 Act. The fiscal 1990 program level for GSM-102 is $5 billion.

Value of GSM Credit Guarantee Programs

Guarantee approvals under the commercial credit guarantee programs have increased significantly in the last 3 years (table 7). GSM-102 approvals rose to $4.8 billion in fiscal 1989 from $2.5 billion in fiscal 1986. GSM-103 approvals topped $425 million in fiscal 1989, 30 times more than the guarantees approved in fiscal 1986, the first year of GSM-103's implementation.

Table 7--Credit guarantee approvals under GSM-102 and GSM-103, fiscal 1986-89

Fiscal year	GSM-102	GSM-103	Total
		Million dollars	
1986	2,522.41	12.65	2,535.06
1987	2,622.53	250.35	2,872.88
1988	4,141.42	362.90	4,504.32
1989	4,769.78	425.53	5,195.31

Source: U.S. Dept. Agr., For. Agr. Serv., "Notices to Exporters," various years.

Credit Guarantee Program Terms

The two credit guarantee programs are similar in structure and operation, but each program has unique terms of coverage and repayment rates. GSM-102 covers loans issued for 6 months to 3 years, although most recent GSM-102 allocations have covered a 36-month repayment period. GSM-102 credit guarantees usually cover up to 98 percent of the port value of the commodity, up to 4.5 percentage points of the interest, and, for some countries, also cover freight and/or insurance. GSM-103 coverage applies to loans of 4-10 years and up to 98 percent of the port cost, and may also cover freight and insurance costs. GSM-103 interest coverage extends to 80 percent of the average investment rate of the most recent 52-week Treasury bill auction rate. Recent GSM-103 allocations cover repayment periods of 4-7 years. The longer loan maturities covered under GSM-103 result in higher guarantee fees to exporters than those of GSM-102.

Operation of the Credit Guarantee Programs

Eligible countries are approved for credit guarantee allocations for purchases of one or more commodities each fiscal year. FAS program managers establish the countries' eligibility for credit guarantees from information and evaluations provided by foreign government officials and FAS attaches, as well as credit risk profiles compiled by the FAS Trade and Economic Indicators Division. Potentially eligible countries must offer good prospects for long-term market development for U.S. agricultural products. Eligible borrowers also are characterized by debt or foreign exchange reserve situations which may make repayment riskier than the private U.S. banking community would like, but still offer a reasonable prospect for repayment.

FAS sends its recommendations each year to the National Advisory Council on International Monetary and Financial Policies for review and advice.[3] After

[3] The council coordinates the policies and practices of all U.S. Government agencies that participate in the issuance or insurance of foreign loans. Agencies represented include the Departments of Agriculture, State, Treasury, and Commerce; the U.S. Trade Representative; the Federal Reserve; the Export-Import Bank; and the International Development Cooperation Agency.

approval by the council, FAS announces each country-by-commodity credit guarantee allocation. Most country allocations are announced early in each fiscal year. However, new country allocations and changes to previously announced credit guarantee allocations may be announced at any time during the fiscal year.

Foreign buyers use the announced credit guarantees under GSM-102 and GSM-103 by arranging financing through a U.S. financial institution, purchasing an agricultural product from a U.S. exporter, and arranging for a letter of credit issued in favor of the exporter by a CCC-approved foreign bank in the buyer's country. After the product is shipped, the exporter assigns the guaranteed account receivable to a U.S. financial institution in exchange for a cash payment. The U.S. financial institution then collects scheduled payments from the foreign bank. If the foreign bank fails to make a payment as agreed, the U.S. lender can file a claim with the CCC, which then pays the guaranteed amount to the claimant. The U.S. lender in return assigns the delinquent loan payment to the CCC, who in turn arranges for the collection of the loan payment.

Credit Guarantee Programs' Shares of Agricultural Exports

Exports under credit and credit guarantee programs have increased since 1980 (table 8). In fiscal 1980, credit guarantee program shipments represented about 3.5 percent of the value of U.S. agricultural exports. In fiscal 1988, credit guarantee program exports represented over 10 percent of the value of U.S. agricultural exports. GSM-102 is also used to guarantee credit for sales of U.S. wood products and leather which are not included as agricultural products in export statistics. From fiscal 1986 through 1988, wood products and leather accounted for about 3 percent of exports under GSM-102 and GSM-103.

Table 8--Value of shipments of agricultural products under export credit and credit guarantee programs, fiscal 1980-88

Fiscal year	Value of export credit/guarantee shipments	Value of total U.S. agricultural exports	Credit programs' shares of U.S. agricultural exports
	Million dollars		Percent
1980	1,417	40,481	3.5
1981	1,871	43,780	4.3
1982	1,390	39,097	3.6
1983	4,060	34,769	11.7
1984	3,830	38,027	10.1
1985	2,807	31,201	9.0
1986	2,413	26,309	9.2
1987	2,745	27,876	9.9
1988	3,707	35,334	10.5

Sources: U.S. Dept. Agr., For. Agr. Serv., "Notices to Exporters," various issues; U.S. Dept. Agr., Econ. Res. Serv., FATUS.

Commodities Shipped Under Credit Guarantee Programs

Grains and grain products dominated credit guarantee program exports from fiscal 1986 through 1988 (table 9). Wheat and flour accounted for over 30 percent of the value of credit guarantee program shipments, followed by oilseeds and products (mainly soybeans and soybean meal) and coarse grains and products (mainly corn). The types of commodities exported under credit guarantee programs have changed little since fiscal 1981. From fiscal 1981 through 1983, wheat accounted for about 36 percent of the value of program shipments, followed by coarse grains (27 percent) and oilseeds and products (21 percent).

Since 1986, however, GSM-102 credit guarantees have been allocated for less traditional products such as fruit juice and soft drink concentrates, grocery items, and wood products. Exports of agricultural commodities under the credit guarantee programs account for large shares of the total exports of many individual commodities (table 10). About 30 percent of U.S. flour and soybean oil exports were shipped under credit guarantee programs between fiscal 1986 and 1988, and 25 percent of U.S. wheat and rice exports for the same period.

Table 9--Credit and credit guarantee program exports, by commodity group, fiscal 1981-83 and 1986-88[1]

Commodity group	Fiscal 1981-83: Program exports	Fiscal 1981-83: Share of GSM exports	Fiscal 1986-88: Program exports	Fiscal 1986-88: Share of GSM exports
	1,000 dollars	Percent	1,000 dollars	Percent
Livestock and products	131,840	1.8	572,864	6.3
Wheat and products	2,616,024	35.6	2,750,599	30.3
Rice	331,811	4.5	489,385	5.4
Coarse grains and products	1,988,235	27.1	1,723,287	19.0
Oilseeds and products	1,517,220	20.7	2,077,290	22.9
Cotton	709,792	9.7	752,629	8.3
Sugar	0	0	117,681	1.3
Tobacco	15,444	.2	213,075	2.3
Grocery items	0	0	316	0
Milk products	104	0	0	0
Seeds and dried vegetables	10,376	.1	163,104	1.8
Soft drink concentrates	0	0	26,506	.3
Wood products	0	0	190,464	2.1
Total[2]	7,339,000	100.0	9,080,951	100.0

[1] Preliminary. Based on exporters' reports to the FAS. Values may not completely reflect exports made under these programs.
[2] Numbers may not add due to rounding.
Source: Derived from U.S. Dept. Agr., For. Agr. Serv., "Notices to Recipients," various years.

Table 10--Credit guarantee programs' shares of selected agricultural exports, fiscal 1986-88

Commodity	GSM exports	Total exports	GSM share of total exports
	--1,000 dollars--		Percent
Wheat	2,561,300	10,602,794	24.2
Corn	1,450,983	10,678,475	13.6
Soybeans	898,961	13,386,839	6.7
Soybean oil	271,932	951,515	28.6
Soybean meal	444,016	3,903,442	11.4
Cotton	752,629	4,232,549	17.8
Tobacco	213,075	3,816,677	5.6
Rice	489,385	1,929,427	25.4
Flour	185,339	581,471	31.9
Poultry meat	54,267	1,112,959	4.9
Tallow	310,482	1,223,660	25.4
Total[1]	8,890,487	89,546,799	9.9

[1] Sales value of all commodities shipped under credit guarantee programs.
Source: Derived from U.S. Dept. Agr., For. Agr. Serv., "Notices to Recipients," various years.

Destinations of Program Shipments

Between fiscal 1986 and fiscal 1988, shipments of agricultural commodities valued at $9.1 billion were assisted by the GSM-102 and GSM-103 credit guarantee programs. Importers in Latin American countries were the chief purchasers, accounting for over 30 percent of program exports (table 11). The Middle East and North Africa each accounted for over 20 percent of program shipments, and Asian importers accounted for an additional 19 percent of program shipments.

The chief purchaser of U.S. agricultural commodities under the credit guarantee programs from fiscal 1986 through 1988 was Mexico, accounting for close to 30 percent of exports under GSM-102 (table 12). Iraq accounted for over 20 percent of all credit guarantee program exports, followed by the Republic of South Korea, Egypt, and Algeria. Top purchasers under the Intermediate Credit Guarantee program (GSM-103) were Morocco and Iraq, followed by Bangladesh, Tunisia, and Jordan.

The composition of credit and credit guarantee recipients has changed somewhat since fiscal 1981. The share of total GSM exports shipped to Western and Eastern Europe has declined since 1981-83, while the share taken by the Middle East and North Africa, which accounted for only 12 percent of credit guarantee program shipments in 1981-83, has increased.

Table 11--Credit guarantee program exports, by region of destination, fiscal 1981-83 and 1986-88[1]

Region	Fiscal 1981-83: Program exports	Fiscal 1981-83: Share of GSM exports	Fiscal 1986-88: Program exports	Fiscal 1986-88: Share of GSM exports
	1,000 dollars	Percent	1,000 dollars	Percent
Latin America	2,542,959	34.7	2,945,380	32.4
Caribbean	263,375	3.6	64,512	.7
Eastern Europe	940,257	12.8	110,513	1.2
Western Europe	1,019,233	13.9	129,851	1.4
Middle East	384,966	5.2	2,084,143	23.0
North Africa	502,176	6.8	2,046,346	22.5
Sub-Saharan Africa	56,534	.8	10,711	.1
Asia	1,629,500	22.2	1,689,403	18.6
Total	7,339,000[2]	100.0	9,080,859[3]	99.9

Note: GSM programs include credit guarantee programs (GSM-101, GSM-102, and GSM-103), investment credit (GSM-301), and blended credit.
[1] Based on exporters' reports to FAS. Therefore, values may not totally reflect exports under the programs.
[2] Numbers may not add due to rounding.
[3] Total exports by country may differ slightly from commodity exports.
Source: Derived from U.S. Dept. Agr., For. Agr. Serv., "Notices to Recipients," various years.

Table 12--Chief markets for GSM-102 and GSM-103 exports, fiscal 1986 through 1988[1]

Country	Value	Country	Value
	1,000 dollars		1,000 dollars
Chief GSM-102 markets:		Chief GSM-103 markets:	
Mexico	2,312,108	Morocco	176,914
Iraq	1,682,267	Iraq	155,334
Korea	1,435,496	Bangladesh	32,507
Egypt	838,123	Tunisia	26,791
Algeria	769,369	Jordan	23,225

[1] Based on exporters' reports to FAS. Therefore, values may not reflect all exports under these programs.
Source: U.S. Dept. Agr., For. Agr. Serv., "Notices to Recipients," various years.

The EEP and CCC Export Credit Guarantee Programs

Many countries that purchase U.S. agricultural commodities under the EEP also purchase under the export credit guarantee programs. Most of these countries are in North Africa and the Middle East (table 13). EEP used in combination with credit guarantees can help developing countries increase their commercial purchases of U.S. agricultural products.

Table 13--Countries purchasing U.S. agricultural commodities under the EEP and credit guarantee programs, fiscal 1988

Program	Wheat	Flour	Feed grains	Barley malt	Vegetable oils
GSM-102/EEP	Algeria	Egypt	Algeria	Algeria	Algeria
	Colombia		Iraq	Iraq	Morocco
	Egypt				Tunisia
	Iraq				Turkey
	Mexico				
	Tunisia				
	Yemen Arab Rep.				
GSM-103/EEP	Morocco		Tunisia		
	Tunisia				

Historical Credit Programs

The U.S. Government has provided credit or guaranteed loans for agricultural exports since the 1930's. Sources of credit have been the Export-Import Bank and the CCC.

Export-Import Bank Credits

The Export-Import Bank extended the first loans to foreign buyers to support agricultural exports. The bank, established in 1934 as an independent Government agency, has extended credit and credit guarantees to foreign buyers of U.S. agricultural commodities since 1935. Credit for food purchases has represented only a small portion of the bank's lending activities which have focused mainly on assistance to manufactured product exports.

In January 1963, the bank began to issue credit guarantees against financial and/or political risk to U.S. commercial banks, allowing exporters to deal directly with their own banks. Export-Import Bank loans and credit guarantees for agricultural commodity purchases generally have covered less than $100 million of agricultural exports per year (app. table 3).

Post-World War II Federal Credit for Agricultural Exports

After World War II, Congress authorized loans to several countries in which agricultural production had suffered during the war to facilitate their imports of U.S. agricultural commodities. In the post-war period, the United States made loans to Japan and Germany for cotton purchases (1946-51). Part of a post-war loan to the United Kingdom was used to procure food and tobacco from the United States. Other countries receiving special loans for agricultural commodities included India for grain imports (1952 and 1953), Spain for wheat and cotton purchases (1952), Pakistan for wheat purchases (1953), and Afghanistan for wheat (1953).

Commodity Credit Corporation Credit Programs

Under CCC Charter authority, the USDA implemented a credit program in 1956, known as GSM-5, to assist commercial sales of U.S. agricultural commodities (table 14). The maximum term for loans was 3 years, although loans for tobacco and cotton exports were generally for 1 year and 6 months for other eligible agricultural commodities. The CCC charged commercial interest rates.

In the first 9 years of GSM-5 operation, the direct credit program was used to sell commodities in CCC inventories and tobacco which was privately owned but under loan to the CCC. In 1965, however, CCC was authorized to purchase certain agricultural commodities from private stocks for direct credit sales. The following year, the CCC began to finance commercial sales of commodities from private stocks.

Exports of agricultural commodities under the CCC credit sales program increased from 1965 through 1967, decreased in the late 1960's, and then increased again in the early 1970's. 1973 was the largest single year for the credit sales program in this period, as the United States made extraordinarily large grain sales to the Soviet Union, in addition to smaller credit sales to other countries. Exports under the program dipped in 1974 and 1975, but increased again in the late 1970's. GSM-5 credit sales ceased in 1980, except for sales under the blended credit program during the 1983-85 period.

Three new credit programs were authorized in 1978 under the Agricultural Trade Act of 1978 and CCC Charter authority. The Non-Commercial Risk Assurance Program, GSM-101, in operation from 1979 through 1981, provided credit guarantees for noncommercial risks such foreign import embargoes, wars, or the freezing of foreign exchange. GSM-101 was replaced by the Export Credit Guarantee Program, GSM-102, announced on October 1, 1980, under the authority of the CCC Charter Act, which provided credit guarantees for commercial as well as noncommercial risks for commercial loans of 6 months to 3 years. GSM-102 is still in operation.

The other two programs were intermediate-term (3-10 years) direct credit programs: GSM-201 for sales of breeding animals and GSM-301 for financing market infrastructure projects. GSM-201 was used for sales of beef and dairy breeding stock to Spain in 1980. The GSM-301 loans to Israeli importers for soybean and sorghum sales in 1980 made available to Israel foreign currency for the construction of grain handling and shipping facilities.

In October 1982, the export blended credit program, which combined short-term credit guarantees (GSM-102) with interest-free direct credit (GSM-5), was initiated in response to the buildup of private and publicly held stocks of agricultural commodities. Under the program, blended credits were offered to developing countries in North Africa (Algeria, Egypt, Morocco, and Tunisia) and the Middle East for purchases of U.S. wheat, corn, rice, vegetable oil, soybean meal, and cotton.

Table 14--Agricultural credit sales and guarantee programs

	Loan conditions			
Program	Period	Lender	Maturity	Interest rate
GSM-5	1956-80	U.S. Government	6 mos-3 yrs	Commercial
GSM-101	1979-81	Commercial bank loan guaranteed by U.S. Government	6 mos-3 yrs	Commercial
GSM-102	1981-	Commercial bank loan guaranteed by U.S. Government	6 mos-3 yrs	Commercial[1]
GSM-201	1979	U.S. Government	3-10 years	Commercial
GSM-301	1981-82	U.S. Government	Over 3 years-10	Commercial
Blended credit package	1983-85	Government loan (GSM-5) combined with GSM-102 credit guarantees	6 mos-3 yrs	GSM-5 was interest-free
GSM-103	1986-	Commercial bank loan with U.S. Government guarantee	Over 3 years-10	Commercial[1]

[1] Commercial rate for the GSM-102 and GSM-103 credit guarantee programs has been a fraction above the London Interbank offer rate (LIBOR).

Note: The GSM-5, GSM-101, GSM-201, GSM-301, and Blended Credit programs are authorized, but are not operational.

Source: Grigsby and Dixit.

The blended credit program was suspended in early 1985 after a Federal district court ruled that exports under the program were subject to cargo preference requirements. (Under PL 664, passed in 1954, at least 50 percent of all cargoes given away or sold for foreign currencies must be transported overseas on U.S. flag vessels.) During the program's operation, $1.3 billion of wheat, flour, rice, and vegetable oils were shipped.

Competitors' Credit Programs

All major exporters of agricultural commodities can make credit and/or credit guarantees available to importers. In Canada, the Canadian Wheat Board (CWB) offers credit for wheat and other grain sales at commercial interest rates available to the Wheat Board from Canadian financial institutions. Credit is guaranteed by the Government of Canada (Ministry of Finance).

Credit for Australian sales of agricultural commodities is available through the individual marketing organizations, such as the Australian Wheat Board (AWB). An Australian government statutory corporation, the Export Finance and Insurance Corporation (EFIC), guarantees the loans issued by the marketing organizations for a guarantee fee.

The EC itself cannot grant credit for agricultural exports, although some of its member nations make credit available to importers. French grains and oilseeds are eligible for French government-sponsored credit. National banks such as the Banque Francaise du Commerce Exterieur (BFCE) and the Caisse

Nationale de Credit Agricole (CA) or a consortium of banks may provide financing which is then guaranteed by the Compagnie Francaise d'Assistance pour le Commerce Exterieur (COFACE), a semiprivate company controlled by the French government. The British and West German governments also guarantee credit for agricultural exports.

Export Credit Program Issues

Major issues concerning GSM-102 and GSM-103 are the ability of targeted countries to repay the loans and the oversight of the program.

- How much budget exposure is associated with credit guarantee programs? The CCC credit guarantee programs encourage U.S. banks to finance the exports of agricultural commodities at commercial interest rates to countries which may not qualify for such terms of credit. Some users of credit guarantee programs have not kept current on their other loans. Banks' claims against obligations under GSM programs have averaged about 12 percent of new annual credit guarantee approval levels from fiscal 1986 through 1988. However, the value of loans guaranteed under GSM-102 and GSM-103 has increased dramatically in recent years. Fiscal 1989 credit guarantees covered loans totaling $5.2 billion in fiscal 1989 and fiscal 1990 guarantee allocations are approaching $5.3 billion. As the GSM-102 and GSM-103 programs have expanded, so too has the potential for increased CCC outlays when importers under the programs fail to make payments on their CCC loans.

- As the number of countries and commodities covered under the CCC programs has increased, it has become more difficult for CCC administrators to address the mounting number of operational issues under the programs with available staff resources. The increasing requirements for regulation over issues of foreign content, sale price approval, and other program operations could lead to disincentives for commercial firms to participate in the credit guarantee programs.

U.S. Overseas Food Aid Programs

Current U.S. overseas food aid has its roots in food aid provided shortly after World War II. Its motivations have included several sometimes contradictory objectives: removal of domestic surplus stocks, market development, achievement of foreign policy goals, economic development within recipient economies, and humanitarian relief.

Current Food Aid Programs

The United States currently provides food aid abroad through two main channels: the PL 480 program, otherwise known as the Food for Peace Program, and through section 416(b) of the Agricultural Act of 1949, as amended.

Food is distributed through PL 480 under three programs. Under Title I, the U.S. Government provides long-term, low-interest credit or accepts local currencies for the sale of U.S. agricultural commodities to designated countries. Local currencies generated by the sale of the aid commodities are programmed by the recipient government for self-help measures that have been jointly agreed upon with the United States. These measures may include actions such as increasing farm production and improving storage, transportation, and distribution of farm products in the recipient country. PL 480 Title II provides donated U.S. agricultural commodities to alleviate famine, provide disaster relief, combat malnutrition, and encourage economic and community development. These donations are distributed through either recipient governments, private voluntary organizations, or the World Food Program. Under the Food for Development Program (Title III), a Title I loan may be forgiven if all the local currency generated from Title I commodity sales is used to finance specified development purposes.

The Section 416(b) program, separate from, though similar to, PL 480 Title II, involves overseas donation of surplus commodities owned by the CCC. Commodities were first donated under this authority from 1950 through 1954. After the enactment of PL 480 in 1954, donations under Section 416(b) ceased, and the donation of CCC commodities was included in the PL 480 program. Dairy product donations under Section 416(b) were reauthorized under the Omnibus Budget Reconciliation Act of 1982 and subsequent legislation expanded the types of commodities to all edible CCC commodities. Donations have included dairy products, wheat, flour, other grains, and soybeans. However, such shipments depend on the availability of surplus CCC stocks.

U.S. food aid is overseen by an interagency process. Working groups of the Development Coordinating Committee meet to direct PL 480 and Section 416 assistance. Participating offices usually include the Departments of Agriculture, State, Treasury, and the Agency for International Development and the Office of Management and Budget.

Changes in Food Aid Programs Under the 1985 Food Security Act

Under the Food Security Act of 1985, Section 108, PL 480 was amended to allow countries to repay long-term loans under Title I, in part with local foreign currencies. These local currencies were to be loaned to private financial intermediaries such as banks and cooperatives, which would then reloan the funds to private enterprises in the recipient countries.

The minimum tonnage levels of Title II, which authorizes donations through government-to-government agreements, private voluntary organizations, and the World Food Program, were increased slightly to 1.9 million tons in fiscal 1987-90. A minimum of 1.425 million tons of the 1.9 million tons authorized under Title II was to be distributed by private voluntary organizations and the World Food Program, an increase of about 200,000 tons.

The 1985 Food Security Act also authorized a new multiyear program, Food for Progress, to assist developing countries committed to market-oriented agricultural policy reform. Food for Progress was to distribute 75,000 tons per year under authority of Section 416(b) of the Agricultural Act of 1949, as amended by the 1985 Act. Funds authorized under PL 480 Title I could also be used.

Under the 1985 Act, the range of commodities eligible for overseas donations under Section 416(b) of the Agricultural Act of 1949 was expanded from dairy products, wheat, and rice to include other grains, oilseeds, and other edible commodities acquired by the CCC. The 1985 Act also allowed, for specific purposes, the sale or barter of at least 5 percent of the aggregate value of commodities and products furnished under this program to private voluntary organizations and cooperatives.

A special section in the 1985 Act amended the 1954 amendments to the 1934 Merchant Marine Act requiring that 50 percent of all commodities sold for foreign currencies or donated be shipped on U.S. flag vessels. Under Section 1142 of the 1985 Act concerning cargo preference, shipments of agricultural commodities under commercial export credit, credit guarantee, blended credit, and export subsidy programs were exempt from cargo preference requirements. However, 75 percent of shipments under PL 480 and Section 416(b) programs must be shipped on American flag vessels.

Size of Program

Funding for the PL 480 program peaked at about $2.2 billion in fiscal 1985 during the African famine. Since enactment of the Food Security Act of 1985, the PL 480 program has remained relatively stable after declining from that peak to $1.5 billion in fiscal years 1987-90 (table 15).

PL 480 shipments accounted for 25-30 percent of agricultural exports from 1955 through 1965, but slipped to 20 percent or less in the late 1960's and early 1970's (table 16). In 1973, PL 480 shipments plummeted to 6.3 percent of agricultural exports as commercial exports expanded and commodity prices rose. PL 480 has accounted for 5 percent or less of the value of total U.S. agricultural exports since 1974. Volumes shipped have declined from about 8.5 million tons in fiscal 1985 to about 6 million tons in fiscal 1988. (Peak shipments of more than 19 million tons occurred in fiscal 1962.)

The Section 416(b) program does not involve a program level separate from CCC spending, but has involved commodity shipments valued at as much as $279 million (in fiscal 1985 and also 1988). Volumes have ranged between 153,000 tons in fiscal 1984 and 2.1 million tons in 1988.

Table 15--PL 480 program funding

Fiscal year	Title I/III	Title II	Total
		Million dollars	
1980	922	729	1,651
1981	927	788	1,715
1982	825	608	1,433
1983	872	600	1,472
1984	872	740	1,612
1985	1,106	1,068	2,174
1986	989	751	1,740
1987	911	552	1,463
1988	767	715	1,482
1989	783	699	1,482
1990	849	673	1,522

Source: U.S. Dept. Agr., For. Agr. Serv. personal communications.

Table 16--PL 480 and Section 416 shipments' shares of total agricultural exports, 1955-88

Year	Total PL 480 and Section 416	Agricultural exports	Food aid share of agricultural exports
	Million dollars		Percent
1955	384.4	3,144.0	12.2
1956	984.9	3,496.0	28.2
1957	1,525.1	4,728.0	32.3
1958	981.0	4,003.0	24.5
1959	1,017.3	3,719.0	27.4
1960	1,115.9	4,519.0	24.7
1961	1,316.4	4,946.0	26.6
1962	1,495.5	5,142.0	29.1
1963	1,456.3	5,078.0	28.7
1964	1,418.0	6,068.0	23.4
1965	1,570.5	6,097.0	25.8
1966	1,345.9	6,747.0	19.9
1967	1,270.8	6,821.0	18.6
1968	1,279.5	6,331.0	20.2
1969	1,038.6	5,751.0	18.1
1970	1,055.8	6,958.0	15.2
1971	1,023.0	7,955.0	12.9
1972	1,057.0	8,242.0	12.8
1973	946.4	14,984.0	6.3
1974	865.9	21,559.0	4.0
1975	1,099.1	21,817.0	5.0
1976	904.1	22,742.0	4.0
1977	1,103.6	23,974.0	4.6
1978	1,072.8	27,289.0	3.9
1979	1,187.2	31,979.0	3.7
1980	1,341.6	40,481.0	3.3
1981	1,333.0	43,780.0	3.0
1982	1,107.6	39,097.0	2.8
1983	1,194.7	34,769.0	3.4
1984	1,505.9	38,027.0	4.0
1985	1,905.8	31,201.0	6.1
1986	1,334.2	26,324.0	5.1
1987	1,077.2	27,877.0	3.9
1988	1,435.7	35,337.0	4.1

Source: U.S. Dept. Agr., Econ. Res. Serv., PL 480 database, Foreign Agricultural Trade of the United States.

Distribution of U.S. Food Aid

Over the years, the programs through which U.S. food aid has been distributed have changed slightly (table 17). During fiscal 1956-58, almost 60 percent of PL 480 shipments were channeled through Title I agreements. Title II donations and PL 480 barter together accounted for another 40 percent of PL 480 shipments. After PL 480 barter was phased down, Title I shipments increased to almost 80 percent of PL 480 shipments in 1966-68. Increased donations for the drought-stricken Sahel countries under Title II lowered Title I/III shipments to 70 percent in fiscal 1976-78. In fiscal 1986-88, Title I/III shipments declined again to 65 percent, mainly because of increased donations under Title II and Section 416(b). Shipments under Section 416 accounted for almost 15 percent of total food aid shipments during fiscal 1986-88.

Commodities Provided Under U.S. Food Aid Programs

The United States provides a wide variety of commodities under its food aid programs, ranging from bulk, unprocessed commodities to foods easily used in relief camps (table 18). The array of commodities provided is shown in table 18. In years 1986-88, grains comprised about 55 percent of the value of food aid shipments. Much of that was wheat, followed by rice, corn, and sorghum. In addition to grains, processed grain products comprised about 13 percent of the total. These products, which can be more readily used or consumed by food aid recipients, include flour, bulgur wheat (cracked wheat), and cereal mixtures. A little more than 15 percent of the total value was comprised of vegetable oils, which are used for cooking purposes and as an ingredient in other foods. The large majority of this was soybean oil. Dairy products, chief of which was nonfat dry milk, comprised about 5 percent of the total. Miscellaneous commodities included cotton, tallow, and other products.

The mix of commodities shipped under PL 480 has changed somewhat since 1955. Cotton and other fibers accounted for 18 percent of the value of 1956-58 shipments, compared with only 1 percent in 1986-88. Dairy products, which comprised 13 percent of the value of early shipments, accounted for 5 percent in 1986-88. However, the share comprised of vegetable oils doubled from its 1956-58 level to 16 percent in 1986-88. Similarly, the share of grain products grew from less than 4 percent in the early years to 13 percent in

Table 17-- Titles I and II, barter, and Section 416 shares of USDA food aid shipments[1]

Year	Title I	Title II	Barter	Section 416
		Percent		
1956-58	57.4	19.7	22.9	0
1966-68	78.3	20.1	1.6	0
1976-78	69.7	30.3	0	0
1986-88	56.0	29.4	0	14.5

[1] Commodities were shipped under the PL 480 barter program until 1969.
Source: U.S. Dept. Agr., Econ. Res. Serv., PL 480 database.

Table 18--Food aid shipments by commodity group[1]

Commodity group	1956-58	1966-68	1976-78	1986-88
		Percent		
Grains	51.1	63.5	55.9	55.7
Grain products	3.5	9.0	17.6	13.3
Vegetable oils	8.1	8.0	11.5	16.0
Dairy products	12.9	6.7	4.8	5.4
Livestock and meat products	1.1	0	0	0
Oilseeds and meals	0	0	0	.6
Fibers and fabric	17.9	8.5	2.0	1.1
Blended products[2]	0	1.0	5.7	4.2
Others	5.3	3.4	2.6	3.8
		1,000 dollars		
Total shipments[3]	3,490,998	3,896,161	3,080,554	3,847,089

[1] Food aid shipments include PL 480 shipments and section 416 shipments.
[2] Blended products include corn-soy milk, wheat-soy milk, and various other cereal blends.
[3] Value of shipments for 3-year period.
Source: U.S. Dept. Agr., Econ. Res. Serv., PL 480 database.

1986-88. Grain shipments accounted for 51 percent of PL 480 shipments in 1956-58 and 56 percent in 1986-88.

Destinations of U.S. Food Aid

The agricultural situation in developing countries has changed since the mid-1970's. Food production per capita has generally worsened in Africa compared with other regions, especially in Asia. The distribution of U.S. food aid has shifted, in part, to reflect these changes (table 19). African countries received almost 45 percent of all U.S. food aid in fiscal 1986-88, up from about 30 percent a decade earlier. Egypt alone accounted for more than 15 percent of the U.S. total in 1986-88. The share received by Asian countries dropped in 1986-88 to 28 percent of the total, compared with more than half in fiscal 1976-78. The share of U.S. food aid shipped to Latin America grew from less than 10 percent to more than 25 percent in 1986-88, reflecting unsteady growth in per capita grain production and higher debt burdens there.

Other Donors' Food Aid Programs

While the United States is a leader among nations providing food aid, it is by no means alone (app. table 4). In 1989/90, the Food and Agriculture Organization (FAO) estimates that the United States will provide about 55 percent of total world cereal aid shipments, followed by the European Community with about 25 percent, Canada with less than 10 percent, and Japan

Table 19--U.S. food aid shipments by destination[1]

Region	1956-58	1966-68	1976-78	1986-88
		Percent		
Africa	1.7	11.7	30.8	43.8
Asia	33.0	68.7	52.8	28.3
Europe	50.8	6.1	2.7	.5
Latin America	7.9	8.5	9.4	26.2
Middle East	6.6	4.2	4.4	1.2
Other[2]	0	.7	0	0
		1,000 dollars		
3-year total	3,490,998	3,896,161	3,080,554	3,847,089

[1] Food aid includes PL 480 Titles I, II, and barter and Section 416.
[2] "Other" includes special Christmas programs, UNRAA, and other United Nations program shipments.

and Australia with less than 5 percent each. Under the Food Aid Convention, food aid donors pledge to provide a minimum volume of food aid. The pledges of all donors total about 7.5 million metric tons of cereal aid, with the United States pledging about 60 percent. Australia has pledged 300,000 tons of cereal aid while the Canadian pledge is twice that level. The pledge of the European Community, including member countries, is 1.67 million tons, second to the United States. Japan has pledged 300,000 tons, but all its aid is purchased from cereal exporters, such as the United States and Thailand. The United States is the only donor that provides some of its aid in the form of concessional credits; all other donors provide food aid on a grant basis.

Historical Food Aid Programs

Pre-1954 Programs

The U.S. Government initiated major food aid programs as part of the relief effort following World War II. European Recovery Program (Marshall Plan) agreements provided grants of food as well as other commodities. The United States also contributed agricultural commodities to European and other countries through the United Nations Relief and Rehabilitation Administration (UNRRA), and operated post-UNRRA and civilian feeding programs under U.S. military auspices. Grants and donations of agricultural commodities under these programs from 1948 through 1954 totaled about $11 billion.

A variety of other programs provided outlets for CCC commodities abroad. Food donations from CCC-owned surplus stocks were authorized under Section 416 of the Agricultural Act of 1949. From 1950 through 1954, about $120 million of CCC-owned agricultural commodities were exported under the Section 416 program. PL 77, passed in June 1953, authorized the gift of 1 million tons of wheat to Pakistan. In July 1953, Congress passed PL 216 authorizing the donation of up to $100 million of CCC surplus stocks for worldwide famine relief. A new section of the Mutual Security Act authorized the sale of CCC stocks to countries participating in the Mutual Security Program in exchange for their local currencies. The foreign currencies received from the participating countries were used to finance mutual security operations in those countries.

A program promoting the barter of U.S. agricultural commodities for strategic materials was authorized under the CCC Charter Act. From 1950 through 1954, $108 million in CCC stocks were exchanged for an equivalent value of materials produced abroad.

Food Assistance Legislation Under PL 480

The Agricultural Trade Development and Assistance Act of 1954 (PL 480) drew together many of the existing programs under one authority. The three titles of PL 480 emphasized the distribution of U.S. agricultural surpluses to needy countries and individuals in addition to the development of future markets for U.S. commodities.

Title I of PL 480, sales of surplus commodities for foreign currencies, expanded the number of eligible countries from the participants of the Mutual Security Act of July 1953 to all countries, barring certain Communist countries. Title I required that sales of surplus commodities under the program not interfere with normal U.S. marketings or disrupt world prices. Section 104 of Title I authorized the use of the foreign currencies received from Title I sales for various activities including market development projects, the origin of the FAS Cooperator Market Development Program.

Title II, authorizing the donation of surplus commodities to meet famine or other urgent relief requirements at home or abroad, encompassed the post-World War II relief programs. The Title II donations program was implemented in the form of government-to-government grants for emergency relief.

Title III authorized the donation of available surplus food to accredited U.S. voluntary relief agencies and to international organizations for use in child feeding and nutrition programs. Authority for Title III donations came from Section 416 of the Agricultural Act of 1949 as amended.

In 1959, a new Title IV was added to PL 480 to allow for the sale of CCC surplus agricultural commodities for dollars under long-term credit. This program complemented Title I which authorized sales of agricultural commodities for foreign currencies. Under Title IV, the U.S. Government could make agreements with friendly countries specifying up to a 10-year delivery schedule (3 years on average) for agricultural commodities purchased on credit. The maximum repayment period was 20 years.

In 1960, Title II was amended to permit the donation of CCC inventories for self-help and economic development activities in addition to famine relief. Title II also authorized U.S. contributions to the World Food Program, established by the United Nations and the Food and Agriculture Organization in 1962. The program began as a 3-year experiment and was extended permanently in December 1965.

In 1966, Title IV was combined with Title I, and long-term credit sales for convertible local currencies were authorized under Title I. Countries signing agreements under the convertible currency provision of Title I had 40 years to repay their loans (with a 10-year grace period to begin repayment). In 1968, foreign currencies received from sales of U.S. agricultural products under Title I were authorized for self-help and other development programs. Sales for foreign currencies were phased down between 1966 and 1971, emphasizing long-term credit sales for dollars and for convertible local currencies.

Title III also incorporated the barter program into PL 480. Under the barter program, about $6.6 billion in agricultural commodities were exported to all parts of the world between 1954 and 1975. Prior to 1963, the barter program was instrumental in assisting the U.S. Government to acquire foreign-produced strategic materials. After the Government's stockpile needs had been met in 1963, the barter program was used to procure goods for U.S. military and foreign assistance agencies overseas. Commodities in CCC inventories generally were used for the barter program prior to 1963, and private stocks were exported under the authority of the CCC Charter Act after 1963 under barter arrangements. The program was suspended in 1973.

Changes in world agricultural conditions and concerns about food shortages throughout the world resulted in amendments to PL 480. In 1973, global stocks tightened as drought reduced crops in many regions. Increases in U.S. commercial exports, particularly to the Soviet Union, reduced the availability of many agricultural commodities for export under PL 480. Under fixed budget appropriations, PL 480 shipments declined as prices rose. In 1977, Congress passed legislation allowing commodities to be shipped for humanitarian purposes even if such shipments would reduce the supply of the commodity below levels needed to satisfy domestic and export requirements as well as adequate carryover.

As lower supplies limited the volume of PL 480 shipments, the Foreign Assistance Acts of 1973 and 1974 attempted to change the distribution of countries to be assisted by PL 480 by requiring that 70 percent or more concessional aid be directed to the countries designated by the United Nations as most seriously affected by food shortages. Legislation in 1975 increased this percentage to 75 percent. Special attention was given to increasing agricultural production in countries with an annual per capita income under $300.

The 1975 International Food Assistance and Development Act also set a minimum quantity of 1.3 million tons of agricultural commodities to be distributed each year through Food for Peace donations (Title II). Of this minimum, private voluntary organizations and the World Food Program were guaranteed 1 million tons. The minimum tonnage requirement under Title II was increased several times in subsequent legislation.

In 1977, the Food and Agriculture Act and the International Development and Food Assistance Act amended PL 480 in several ways. The 1977 legislation changed the eligibility standard for countries in the 75-percent category to the 1977 poverty level criteria of the International Development Association (which is revised periodically to account for inflation and other factors). In conjunction with the 1977 legislation's emphasis on self-sufficiency for the poorest countries, the Food for Development program was authorized under Title III. The Food for Development program was created to encourage countries to use the proceeds from the sales of Title I commodities to support agricultural and rural development projects, nutrition and health services, and population planning.

Related to PL 480, the Food Security Wheat Reserve Act of 1980 authorized up to 4 million tons of wheat to be held aside for use in meeting emergency humanitarian food needs in developing countries. The reserve can be drawn upon for two reasons. One is when domestic supplies limit PL 480 availabilities. Second, up to 300,000 tons of wheat can be released from the reserve without consideration of the domestic supply situation to meet relief needs quickly in a developing country or countries experiencing a major disaster. On December 5, 1984, President Reagan authorized the first release of 300,000 tons of wheat from the food security wheat reserve to meet urgent humanitarian needs in Ethiopia.

In the early 1980's, President Carter's Commission on World Hunger recommended to Congress that PL 480 be revised to emphasize development objectives. The recommendation was integrated into the Agriculture and Food Act of 1981 which authorized the institution of literacy and health programs for the rural poor under Title I of PL 480 (Title I, Section 109). In 1982, USDA renewed supplemental donations of dairy products under section 416 of the Agricultural Act of 1949.

Program Issues

- In sharp contrast to the farm surpluses existing in the United States when the 1985 farm bill was written, the current, tighter supply situation has raised the issue of the availability of U.S. stocks to meet food aid needs. In fiscal 1989, 1.5 million tons from the Food Security Wheat Reserve (FSWR) were tapped to meet PL 480 food needs while up to 2 million tons are authorized for use in fiscal 1990. The reserve has become an important source of wheat under the PL 480 program since fiscal 1988. Some are concerned about the ability of the United States to respond to overseas food needs and feel that the United States should extend the FSWR, which was created in 1980 in order to help meet food needs abroad.

- A related issue is multiyear programming of U.S. food aid. Private voluntary organizations distributing aid commodities have asked for multiyear commitments to assure supplies and help improve planning and effectiveness of their food aid programs. Since budgets are set on an annual basis, and since commodity availabilities are not known with certainty beyond 1 year, the administration has been opposed to making commitments that may be difficult to meet given changing supply or price situations.

- Under cargo preference requirements, 75 percent of U.S. concessional shipments (which includes food aid) must be carried on U.S. flag vessels. The U.S. vessels generally charge higher shipping costs than do those of other nations. These provisions, which increase the cost of food aid, amount to a subsidy for the U.S. maritime industry and complicate PL 480 programming. Higher shipping costs reduce funds available for aid commodities. Proponents claim that a strong U.S. merchant marine is important to the national security and hence should be supported.

- Congressional decisionmakers often deal with program management when reauthorizing U.S. food aid programs. The programs are managed jointly by several agencies, mainly USDA and the Agency for International Development. Some claim that the market development goal of the PL 480 program or foreign policy considerations sometimes contradict the economic development goals and that the program could be more effective in meeting individual goals and more easily managed if program responsibility were more clearly divided. One proposal is to give USDA control of part of the program for market development purposes while AID be given control of part of the program for economic development and humanitarian purposes. Others claim that one of the strengths of the PL 480 program is the diversity of groups that support the program as currently organized and that the economic development aspects of the program should not be divorced from the market development aspects since they are related.

Market Development Programs

FAS currently administers two major export promotion programs, the Foreign Market Development Program and the Targeted Export Assistance (TEA) Program. Also contributing resources to the two programs are U.S. nonprofit producer organizations, regional groups of State departments of agriculture, private companies, and, in some cases, foreign "third-party" cooperators.

Foreign Market Development Program

Goals of the Foreign Market Development Program, established in 1955, are to develop, maintain, and expand long-term foreign markets for U.S. agricultural exports. To accomplish these goals, FAS works with U.S. nonprofit commodity organizations, called "cooperators," to promote U.S. agricultural products overseas. Most of the nonprofit organizations represent producers of specific commodities such as apples, feed grains, poultry, and wheat. However, FAS also has enlisted the support of one national and four regional associations of State departments of agriculture in developing overseas markets for regional U.S. agricultural specialties.

FAS established the Export Incentive Program (EIP) in 1971. Under the EIP, FAS enters into agreements with private U.S. companies under which FAS reimburses the participating companies for up to 50 percent of their eligible costs of promoting specific branded U.S. agricultural products.

Legislation and Program Levels

The 1985 Food Security Act endorsed the continuation of funding for the Foreign Market Development Program under the FAS program (which also includes support for FAS' 60 agricultural counselors and attaches and Agricultural Trade Offices in 15 countries). Funding levels for the Foreign Market Development Program had increased through the 1980's, peaking at $33.7 million in 1986 (table 20). Since 1986, estimated FAS contributions to the program have averaged about $29 million each year.

Since 1985, over 40 organizations have participated each year in the Cooperator Market Development Program. In 1986, FAS entered into EIP marketing agreements with 14 private companies for specific branded promotions. Since 1986, fewer EIP projects have been conducted with support from the FAS Foreign Market Development Program.

Market Development Program Activities

Projects conducted by organizations under the Foreign Market Development Program generally fall into three major categories: trade servicing, technical assistance, and consumer promotion. Trade servicing activities are designed to develop or improve trade relationships. The organizations establish contact with foreign country importers and government officials by advertising in foreign trade publications, hosting trade conferences, distributing promotional materials to foreign food buyers, and by sponsoring trade delegations to or from the United States to inform foreign trade and government officials about U.S. production capabilities and reliability as a supplier. Trade servicing has been a major activity of the Cooperator Program.

Organizations conduct technical assistance activities to expand or improve local processing capabilities and develop new or improved uses for U.S. commodities in foreign countries. Some technical assistance activities include agronomic experiments, livestock nutrition programs, and seminars. Technical assistance activities seek to stimulate growth in the long-term demand for U.S. exports. Technical assistance is a major activity under the Cooperator Program, particularly for grains and oilseeds.

Foreign Market Development Program projects also focus on retail consumers of agricultural products. Consumer promotion activities include generic and branded advertising campaigns, consumer education programs, and point-of-sale promotions and demonstrations. Generic promotion activities encourage demand for U.S. agricultural commodities and products, while branded promotions

Table 20--FAS expenditures for market development programs, fiscal 1980-90

Fiscal year	Cooperator Market Development program[1]	Export Incentive program	Targeted Export Assistance	Total
		Million dollars		
1980	18.2	1.13	---	19.33
1981	17.54	1.29	---	18.83
1982	19.00	1.14	---	20.14
1983	23.50	1.72	---	25.22
1984	25.24	1.57	---	26.81
1985	31.81	2.04	---	33.85
1986	33.40	1.60	61.82	96.82
1987	23.11	.20	53.60	76.91
1988	29.35	---	115.25	144.60
1989	28.11	---	117.81	145.92

--- = Less than $200,000.
[1] Expenditures for 1989 are estimated since organizations have 12 months after the end of each marketing plan year in which to claim reimbursements.
Source: U.S. Dept. Agr., For. Agr. Serv., Marketing Programs Division and Management Division.

enhance demand through product differentiation. Consumer promotion activities represent less than 20 percent of the activities conducted under the Cooperator Program, but are the only activities of the EIP.

Program Operation

Cooperator program projects are expected to assist in developing long-term markets for U.S. agricultural products. Thus, the funds obligated in project marketing agreements with FAS are available to be budgeted in annual marketing plans and expended over a 5-year period to ensure continuity in programming and access to funding to complete multiyear projects.

Cooperators submit to FAS for approval annual marketing plans containing detailed descriptions of proposed activities and budgets prior to the beginning of each year. Authority to use the funds obligated in project agreements is limited to approved activities and budgets. For each proposed market, the cooperator must provide information on trade constraints and export projections. Cooperator plans typically focus on demand-related limitations such as a lack of consumer (dealer) awareness of the commodity and competition with substitute products or alternative supplies or lack of technical capability. The cooperator must then show how the proposed activities will overcome or help alleviate the constraints for each commodity/market covered by the plan.

After FAS has accepted the proposed marketing plan, the cooperator begins conducting the activities approved under the marketing plan. The cooperator has up to 12 months to implement the marketing plan and an additional 12 months to submit claims for reimbursement of project expenses incurred during the previous marketing plan year.

Cooperators contribute resources to the jointly funded program, including all domestic administrative costs. Cooperator contributions have accounted for about one-third of total program expenditures over the years. Foreign third-party cooperators also have contributed a third of the program expenses, on average.

In contrast to the Cooperator Program, EIP programs are announced by FAS and developed for a 3-year period. At the end of the 3-year period, a new 3-year program may be developed for the commodity. FAS' decision to announce an EIP program for a specific commodity or product is based, in part, on a determination that export markets for the product can be developed most effectively by brand promotion and that there is sufficient U.S. industry interest to support such a program.

Under the EIP, private U.S. firms submit applications which describe the product, labels (which identify the United States as the source of the product), and proposed activities for each foreign market. Agreements may be renewed annually over the 3-year life of the program. FAS' EIP agreements with private companies specify that FAS will reimburse up to 50 percent of eligible promotion costs. Expenses eligible for reimbursement are limited to direct promotional expenses such as print and electronic media advertising, point-of-sale promotions and materials, trade fair participation, and public relations activities. Costs related to travel, salaries, entertainment, product samples, and price discounting are excluded.

Commodities Promoted

The first commodities promoted under the Cooperator Program in the 1950's were grains and cotton. By 1986, over 70 organizations and companies were promoting commodities ranging from grains and oilseeds to fruits and vegetables and consumer-ready packaged products through the Foreign Market Development Program. Almost 65 percent of the funds budgeted for the Foreign Market Development program for fiscal 1986 through 1989 were used to promote grains, oilseeds, and their products (table 21). Only about 6 percent of the budgeted Foreign Market Development Program funds were targeted to horticultural product promotions.

Countries and Regions Targeted for Export Promotions

Participants in the Foreign Market Development Program conduct market promotion activities in both developed and developing countries (table 22). In 1986, FAS budgeted about $39 million for promotions under the Cooperator Market Development Program and for EIP's. One quarter of the funds were for promotions in Western Europe. Another 20 percent was for promotions in Japan.

Table 21--Foreign Market Development Program budgets, by commodity group, fiscal 1986-89

Commodity group	1986	1987	1988	1989	1986-89
			Million dollars		
Total Cooperator/EIP budgets	39.10	25.49	34.17	33.40	132.16
			Percent		
Animals and animal products	13.9	17.0	16.1	14.9	15.3
Grains, grain products, and dry beans	37.3	43.4	43.7	42.3	41.4
Oilseeds and products	20.9	22.7	25.0	24.0	23.1
Horticultural and tropical products	13.1	2.1	1.3	4.5	5.7
Regional and State associations/other high-value products	2.6	2.7	2.4	1.9	2.4
Cotton, seeds, and tobacco	6.0	4.5	4.3	4.3	4.8
Wood products	6.3	7.6	7.2	8.2	7.3

Source: Calculated from data provided by U.S. Dept. Agr., For. Agr. Serv., Marketing Programs Division.

Table 22--Foreign Market Development Program budgets, by region, fiscal 1986

Region/country	Share of budget	Region/country	Share of budget
	Percent		Percent
European Community	21.9	Southeast Asia	6.8
Other Western Europe	2.6	South Asia	2.7
Eastern Europe	2.2	Oceania	.2
USSR	1.1	Middle East	6.8
China	7.1	North Africa	5.5
Japan	17.2	Sub Saharan Africa	4.2
Other East Asia	11.4	Latin America	10.3
			Dollars
		Total budget	39,094,196

Source: Calculated from U.S. Dept. Agr., For. Agr. Serv., Marketing Programs Division data compiled by Oklahoma State University.

Historical Foreign Market Development Programs

From 1955 through 1985, the major federally supported market development program was the Cooperator Market Development Program (app. table 5). Individual States had already established various check-off programs to promote specific U.S. agricultural commodities overseas as early as 1947.

FAS first was authorized to use the foreign currencies obtained from PL 480 Title I sales for market development in 1954, although the first joint promotions did not begin until 1956. For fiscal 1961, the Congress appropriated funds to supplement the foreign currency received for Title I sales. In the following years, annual budget appropriations gradually replaced the foreign currencies as the only source of funding for the Cooperator Program.

The first cooperators included several regional wheat growers associations (later merged into a national organization, U.S. Wheat Associates), the National Cotton Council (today, the Cotton Council International), the Rice Council, and the Millers National Federation. Several nonprofit associations were formed to promote tobacco, poultry, fruits, and vegetables in the late 1950's. FAS also enlisted the support and participation of regional and State organizations in 1978, although the agency had been cooperating with some of these groups since the late 1960's to encourage and coordinate the export promotional efforts of suppliers with potential export capabilities. Five regional and State organizations have participated in the Cooperator Program, including the Eastern U.S. Agricultural Food and Export Council (EUSAFEC), the Southern U.S. Trade Association (SUSTA), the Mid-America International Trade Council (MIATCO), the Western U.S. Agricultural Trade Association (WUSATA), and the National Association of State Departments of Agriculture (NASDA).

In 1971, FAS established the Export Incentive Program (EIP) to help private companies promote branded, consumer-ready agricultural products. EIP operations differed from those of the Cooperator Program in that FAS reimbursed no more than half of the eligible direct costs of promotion in specified foreign markets. Some early EIP participants included major fruit and vegetable processors and wine and nut export firms.

Targeted Export Assistance Program

FAS, which administers the Targeted Export Assistance Program (TEA), has used CCC generic commodity certificates to reimburse nonprofit commodity and regional organizations for eligible expenses incurred to promote U.S. agricultural products in specific foreign markets. In accordance with the provisions of the 1985 Food Security Act, priority is given first to U.S. agricultural products which have received a favorable decision under Section 301 of the Trade Act of 1974 or that have suffered retaliatory action as a result of a favorable Section 301 decision.

Authorizing Legislation and Program Levels

The TEA was mandated by Congress under the 1985 Food Security Act. Section 1124 of the 1985 Act required that the Secretary of Agriculture use $325 million each year in CCC funds or commodities from CCC inventories through September 30, 1990, to counter or offset the adverse effects on U.S. exports of subsidies, import quotas, or other "unfair foreign trade practices."

Close to half of the 1986 Foreign Market Development Program funds were budgeted for promotions in Africa, Latin America, and Asian countries other than Japan. Program participants targeted about 17 percent of their promotion budgets to the Middle East and Africa, and another 10 percent to Latin American countries.

In subsequent amendments to the 1985 Food Security Act, Congress decreased TEA program levels to $110 million for fiscal years 1986 through 1988, but maintained the higher annual level of $325 million for fiscal 1989 and 1990 (table 20). The USDA appropriations act for fiscal 1989 reduced the TEA program level to $200 million, of which $30 million was to be held in reserve for release at the discretion of the Secretary of Agriculture. After determining that the full $200 million should be used for the TEA program, the Secretary released the additional $30 million. For fiscal 1990, Congress limited the TEA program level to $200 million.

From 1986 through 1990, over 28 nonprofit organizations participated each year in the TEA program. For the same period, CCC entered into EIP marketing agreements with about 25 private U.S. companies for branded promotions under three commodity specific TEA/EIP programs (California and Arizona citrus, processed sweet corn, and almonds).

Program Operation

FAS implemented the TEA as an export promotion program. TEA program activities can be conducted in the market affected by the unfair trade practice to counter or mitigate the practice itself or in alternative markets to offset its effects on exports.

The availability of the TEA program is announced annually in a Federal Register notice which describes eligibility criteria and establishes an application deadline prior to the beginning of the program year. TEA program applicants must identify an unfair foreign trade practice and estimate the extent to which it has adversely affected U.S. exports. Applicants must also assess the probable success of the proposed project(s) in countering or offsetting the adverse effects of the unfair trade practice and describe the organization's membership, administrative capability, prior promotion history, and available resources to be contributed to implement the TEA projects.

Although FAS administers the TEA for the CCC, reimbursements to program participants to date have been in the form of CCC generic certificates redeemable for commodities in CCC inventories. TEA participants, mainly nonprofit trade associations with little use for CCC commodities, resell the certificates (which have a 1-year life) to brokers or exporters, who in turn redeem them for CCC inventories.

TEA Program Activities

TEA projects also can be classified as technical assistance, trade servicing, and consumer promotion. However, most TEA projects (almost three-fourths in 1990) are consumer promotions, particularly advertising.

Branded promotions are more prevalent under the TEA than under the Foreign Market Development Program. Branded promotions are conducted under the TEA through the private company TEA/EIP agreements and by nonprofit commodity and regional organizations.

Commodities Promoted

The TEA program places more emphasis than the Cooperator Program on the promotion of higher valued products such as fruits and vegetables, red meat, and grocery items. Over 80 percent of TEA projects are aimed at the promotion of higher valued products. From 1986-89, over half of the TEA program budgets were used for the promotion of horticultural products (table 23). Twenty percent of the TEA program budgets were targeted to grains, oilseeds, and their products.

Targeted Countries and Regions

TEA participants have conducted the bulk of their projects in the EC and Japan. In 1986, the first year of the TEA, over 35 percent of TEA activities were in Western Europe. TEA participants conducted 38 percent of their projects in Japan, and an additional 17 percent of their projects in other Asian countries (table 24). After 4 years of operation, the TEA continues its focus on Western European and developed Pacific Rim countries.

Competitors' Export Market Development Programs

Most major agricultural producing countries support the promotion of their agricultural products in foreign markets. Governments often take the lead in overseas promotion through their foreign services and special marketing agencies.

For example, the French government promotes agricultural products through SOPEXA (Societe pour l'Expansion de Ventes de Produits Agricoles et Alimentaires) with market research and statistical support from the CFCE (Centre Francais du Commerce Exterieur). Agricultural marketing boards and private industry organizations also play major roles in overseas promotions.

Table 23--Targeted Export Assistance Program budgets, by commodity group, fiscal 1986-89

Commodity group	1986	1987	1988	1989	1986-89
			Million dollars		
Total TEA budgets	93.80	66.63	136.16	186.65	483.44
			Percent		
Animals and animal products	14.5	16.7	11.3	14.0	13.7
Grains, grain products, and dry beans	9.1	.7	12.9	12.1	10.2
Oilseeds and products	8.6	2.8	13.8	10.1	9.8
Horticultural and tropical products	53.2	74.8	45.7	44.2	50.6
Regional and state associations/ other high-value products	6.1	3.2	7.0	8.6	6.9
Cotton, seeds, and tobacco	7.5	.5	7.0	9.0	7.0
Wood products	1.1	1.3	2.2	2.0	1.8

Source: Calculated from data provided by U.S. Dept. Agr., For. Agr. Serv., Marketing Programs Division.

Table 24--Regional distribution of funds budgeted for Targeted Export Assistance Program projects, fiscal 1986

Region/country	Share of budget	Region/country	Share of budget
	Percent		Percent
European Community	35.7	Southeast Asia	3.3
Other Western Europe	2.0	South Asia	.7
Eastern Europe	0	Oceania	1.1
USSR	0	Middle East	2.4
China	0	North Africa	1.7
Japan	37.5	Sub Saharan Africa	.3
Other East Asia	13.5	Latin America	1.8
			Dollars
		Total TEA budget[1]	93,802,338

[1] 1986 TEA budget committed as of April 1989. Participants had 1 year in which to spend funds approved under their 1986 marketing plans.

Source: Calculated from U.S. Dept. Agr., For. Agr. Serv., Marketing Programs Division data compiled by Oklahoma State University.

Marketing boards such as the Canadian and Australian wheat boards maintain overseas offices. For many exporting countries, governments and private firms work together to conduct promotion activities ranging from technical assistance to media advertising. Almost all foreign exporters participate in trade fairs and conduct in-store promotions. Chief regions targeted for promotions by all exporters include Japan and other Far Eastern countries and Western European countries.

Market Development Program Issues

FAS has assisted U.S. commodity organizations and private companies to promote U.S. agricultural products overseas since 1956. Several issues concerning the export market development programs have developed as the programs have evolved and expenditures increased.

- The effectiveness of the promotion programs in developing overseas markets for U.S. agricultural products is important not only to policymakers, but also to the producers, processors, and foreign country marketers who provide funds. Is an increase in exports the best measure of program success or could other accomplishments such as maintaining export levels or minimizing export losses be valid program goals? What are reasonable timeframes over which to measure the lagged effects of longer term generic market development programs versus the shorter term advertising promotions?

- Some program participants have worked with FAS to promote the same products overseas for decades. Should FAS continue to fund projects in previously established markets or limit the number of years in which the Government will assist an organization to promote a product in a particular market?

- Organizations conducting overseas promotions may succeed in developing markets for U.S. agricultural products, but may lose sales and market share due to changing market conditions. In evaluating the effectiveness of market development programs over time, how can market participants isolate the effect of their primarily generic promotion activities from other market factors such as price competitiveness, exchange rate changes, and political situations? How can an organization's active promotion program address changes in supply, demand, and political situations?

- Under the Foreign Market Development Program, FAS enables a long-term commitment to market development by assisting participants to finance promotions in markets where the risk of failure is higher than for established markets. For example, FAS has funded promotions of high-valued commodities and consumer-ready packaged products and has encouraged cooperators to promote agricultural commodities in less developed countries. What methodologies could be used to evaluate projects that require longer funding periods?

- Generic promotion programs attempt to expand demand for an individual commodity or group of commodities. Generic promotion activities may help develop a market for the commodity or product, but may need to focus more on differentiating U.S.-origin commodities from those of other exporters. For example, U.S. market development programs helped increase demand for Brazilian orange juice in Canada and soybeans in other regions. Should the emphasis of the promotion programs shift to activities that further differentiate U.S. agricultural commodities from those of other countries?

- Both of the market development programs promote branded products through EIP's, regional State associations, and nonprofit commodity organizations. Should the Government expand its assistance to private companies for advertising and promotion of private label products? Should the same criteria applied to generic promotions also be used to evaluate branded promotions?

- How can FAS ensure that, in expanding promotions of processed agricultural products, it doesn't inadvertently place the processed product in competition with the underlying unprocessed U.S. commodity (wheat versus flour) or related U.S. input (feed grains versus processed poultry) in the same foreign market? Should FAS require that cooperators evaluate cross-commodity effects in their marketing plans?

- The TEA program is authorized through September 30, 1990. The program has not only increased FAS expenditures, but also those of the participating organizations. Has the large expenditure been effective? Has the TEA, a market development program, provided the best means of countering or offsetting the effects of the unfair trade practices of other nations? Would export subsidies or other incentives better counter unfair trade practices?

Other Export Programs

Several other export programs were established in the 1985 Food Security Act and subsequent legislation. These include the Cottonseed Oil Assistance Program, the Sunflowerseed Oil Assistance Program, mandated CCC purchases of red meat for export, the Dairy Export Incentive program, the Mandated Dairy Sales Program, and the agricultural trade and development missions.

Sunflowerseed and Cottonseed Oil Assistance Programs

Under these two programs, the CCC awards bonuses in physical commodities to exporters to facilitate exports in targeted markets. The Sunflowerseed Oil Assistance program (SOAP), authorized under the Rural Development, Agriculture and Related Agencies Appropriations Act of 1988, made available up to $10 million from Section 32 of PL 74-320 (1935) for bonuses of crude sunflowerseed oil. As of December 1989, Egypt purchased 54,300 metric tons of sunflowerseed oil under the SOAP, resulting in bonuses of 5,464 tons of sunflowerseed oil.

The Agricultural Appropriations Act for fiscal 1989 provided an additional $20 million to assist exports of sunflowerseed and cottonseed oils. The USDA announced on April 28, 1989, that Egypt could purchase up to 20,000 tons of sunflowerseed oil and 20,000 tons of cottonseed oil under the SOAP and COAP, and offered 20,000 tons of sunflowerseed oil under the SOAP to Algeria on November 16, 1989.

The Agricultural Appropriations Act for fiscal 1990 provided an additional $30 million for the SOAP and COAP to be used in fiscal 1990 and 1991. In March 1990, USDA offered an additional 20,000 tons of sunflowerseed oil to Algeria under the SOAP. Since December 1989, SOAP sales to Algeria have totaled 21,000 tons.

Red Meat Sales

The Food Security Act of 1985 directed the USDA to purchase 200 million pounds (about 91,000 metric tons) of red meat for export during an 18-month period from 1986 through 1987. The program was designed to alleviate the effect of the Dairy Termination Program on the U.S. market. This requirement was surpassed with the following export sales: 90,000 metric tons of beef to Brazil, 825 metric tons of high-quality beef to European importers under the annual quota available to the United States from the European Community, 1,000 metric tons of pork sides to Argentina, 15,000 metric tons of beef to Venezuela, and 7,000 metric tons of red meats to Mexico, including 5,500 tons of beef and 1,500 tons of pork hams. USDA also provided the Department of Defense with 4,636 metric tons of red meat between July 1, 1986, and October 1, 1987, to supply military commissaries.

The Agricultural Technical Corrections Act of 1989 (PL 101-220) required the CCC to use the EEP to promote the export of U.S. meats including poultry to U.S. commissaries on military bases in the EC from 1990 through 1992. The CCC is authorized to use not less than $14 million in 1990, $9.8 million in 1991, and $4.6 million in 1992 in CCC commodities from the EEP. In the National Defense Authorization Act (PL 101-189) and the Defense Appropriations Bill (PL 101-65), the Department of Defense was authorized to use $10 million to facilitate the transportation of the U.S. meat to the U.S. commissaries in the EC.

Dairy Export Incentive Program

Section 153 of the 1985 Act authorized the establishment of a Dairy Export Incentive Program (DEIP) through September 30, 1989. The DEIP was extended through September 1990 under the Hunger Prevention Act of 1988. Since February 6, 1987, the CCC has awarded bonuses from its own inventories of dairy products to U.S. exporters of dairy products (butter, butter oil, anhydrous milkfat, nonfat dry milk, whole milk powder, cheddar cheese, and bulk American cheese). Under the Omnibus Trade and Competitiveness Act of 1988, the form of the bonuses for DEIP sales was changed to generic commodity certificates from CCC-owned inventories of dairy products.

As of December 1988, 37 sales totaling 10,947 tons of milk powder were made to 15 countries under the DEIP. The USDA targeted countries that were EC markets (that is, 50 percent or more of the imports of the targeted countries were from the EC). Total value of the milk powder awarded to exporters from CCC inventories was $8,376,821. No sales have been made since December 1988 under the amended program. However, USDA issued a new announcement on January 24, 1990, which provides for sales to 40 countries under the DEIP.

Dairy Product Sales From CCC Inventories

The Mandated Dairy Sales Program, authorized under the 1985 Act, required that the CCC export not less than 150,000 metric tons of CCC-owned dairy products a year from fiscal 1986 through 1988. The program was extended through September 30, 1990, under the Hunger Prevention Act of 1988. The regulations for the program specify that the CCC sales not disrupt domestic U.S. markets or world prices and patterns of trade. From fiscal 1986 through 1989, the CCC exported 414,422 metric tons of nonfat dry milk, 47,420 tons of butter oil, 60,023 tons of butter, and 19,180 tons of cheese from CCC inventories. Major purchasers of CCC dairy inventories were Mexico (butter oil), Iraq (butter), Algeria (butter and cheese), and Brazil (milk powder). In fiscal 1990 to date, the Soviet Union purchased 50,000 tons of butter from CCC inventories. Some of the sales of CCC dairy product inventories to Mexico and Iraq also were financed by CCC loans under CCC Charter authority.

Agricultural Trade and Development Missions

In December 1987, Congress created the Agricultural Trade and Development Missions Program to further the relationships between U.S. and foreign country private sector and government representatives, and encourage greater participation from the private sector in U.S. agricultural trade and aid activities. Since January 1988, trade missions have been conducted for Algeria, Ivory Coast, Ecuador, Egypt, Hong Kong, India, Indonesia, Jamaica, Kenya, Mexico, North Yemen, the Philippines, Singapore, and Tunisia.

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Glossary

Agency for International Development (AID) -- U.S. Government agency responsible for assistance programs in less developed countries friendly to the United States. Also responsible for administration of Title II programs under PL 480 and for overseas execution of all PL 480 programs.

Agricultural Act of 1949 (PL 89-439) -- Signed into law October 31, 1949. The law, along with the Agricultural Adjustment Act of 1938, makes up the major part of permanent agricultural legislation which is still effective in amended form.

Agricultural Adjustment Act of 1933 (Triple A) (PL 73-10) -- Signed into law May 12, 1933. The law introduced the price support programs, including production adjustments, and incorporated the Commodity Credit Corporation (CCC) under the laws of the State of Delaware on October 17, 1933. The price support payments were financed mostly by processing taxes on the specific commodity. The act also made price support loans by the CCC mandatory for the designated "basic" (storable) commodities (corn, wheat, and cotton). Support for other commodities was authorized upon recommendation by the Secretary of Agriculture with the President's approval.

Agricultural Stabilization and Conservation Service (ASCS) -- A USDA agency responsible for administering farm price- and income-support programs as well as some conservation and forestry cost-sharing programs, environmental protection, and emergency programs. ASCS offices are maintained in nearly all farming counties.

Agricultural Trade Act of 1978 (PL 95-501) -- Signed into law on October 21, 1978. The law introduced intermediate-term credit to promote sales of livestock and poultry (GSM-301), made available credit for the People's Republic of China, authorized agricultural attache and counselor positions in U.S. embassies overseas, and established agricultural trade offices outside U.S. embassies for not less than 6 and not more than 25 foreign countries.

Agricultural Trade Development and Assistance Act of 1954 (Food for Peace) (PL 83-480) -- Signed into law July 10, 1954. The law became the basis for selling and bartering surplus commodities overseas and for overseas relief. The program makes U.S. agricultural commodities available through long-term credit sales at low interest rates, provides food relief, and authorizes "food for development" projects.

Balance of trade -- The difference between the value of goods that a nation exports and the value of the goods it imports. An export surplus occurs when a country's exports exceed its imports, resulting in a favorable trade balance. Similarly, an export deficit implies that imports total more than exports for a country, producing an unfavorable trade balance.

Bilateral trade agreement -- A trade agreement between any two nations. The agreement may be either preferential, applying only to the two countries involved, or most-favored-nation, negotiated between the two countries but extending to all or most other countries.

Blended credit -- A form of export subsidy which combines direct Government export credit and credit guarantees to reduce the effective interest rate.

Cairns Group -- An informal group formed in 1986 at Cairns, Australia. The group seeks the removal of access barriers and substantial reductions in subsidies affecting agricultural trade in response to depressed commodity prices and reduced export earnings stemming from subsidy wars between the United States and the European Community. The members account for a significant portion of the world's agricultural exports. The group includes major food exporters from both developed and developing nations: Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand, and Uruguay. The Cairns Group is a strong coalition in the Uruguay Round of multilateral trade negotiations held under the auspices of the General Agreement on Tariffs and Trade.

Cargo preference -- A law that requires a certain portion of goods or commodities financed by the U.S. Government to be shipped on U.S. flag ships. The law has traditionally applied to PL 480 and other concessional financing or donation programs.

Commodity Credit Corporation (CCC) -- A federally owned and operated corporation within USDA. The CCC was created to stabilize, support, and protect farm income and prices through loans, purchases, payments, and other operations. The CCC functions as the financial institution through which all money transactions are handled for agricultural price and income support and related programs. The CCC also helps maintain balanced, adequate supplies of agricultural commodities and helps in their orderly distribution. The CCC does not have any operating personnel or facilities.

Commodity Credit Corporation Charter Act -- The Commodity Credit Corporation was chartered as a Federal corporation in 1948. The CCC has authority under its charter to carry out agricultural price stabilization and related programs. The CCC has used its charter authority to establish export programs, particularly those related to disposal of surplus agricultural commodities.

Common Agricultural Policy (CAP) -- A set of regulations by which member states of the European Community (EC) seek to merge their individual agricultural programs into a unified effort to promote regional agricultural development, fair and rising standards of living for the farm population, stable agricultural markets, increased agricultural productivity, and methods of dealing with food supply security. The variable levy and export subsidies are the two principal elements of the CAP.

Concessional sales -- Credit sales of a commodity in which the buyer is allowed more favorable payment terms than those on the open market. For example, Title I of the Food For Peace Program (PL 480) provides for financing sales of U.S. commodities with low-interest, long-term credit.

Cooperator Program -- A longstanding market development program administered by USDA's Foreign Agricultural Service which coordinates the export promotion efforts of more than 50 nonprofit commodity trade associations, including the U.S. Wheat Associates, Cotton Council International, and the National Potato Promotion Board.

Countervailing duty -- A tariff that offsets an export subsidy of another country.

Dairy Export Incentive Program -- A program authorized by the Food Security Act of 1985 which offered subsidies to exporters of U.S. dairy products to help them compete with other subsidizing nations. Payments were made by the Commodity Credit Corporation on a bid basis either in cash, in-kind, or through certificates redeemable for commodities. The payment rates reflected the type of dairy products exported, the domestic and world prices of dairy products, and other factors. Eligible sales had to be in addition to, and not in place of, those that would normally be made, and payments could not displace commercial export sales.

Developing countries -- Countries whose economies are mostly dependent on agriculture and primary resources and do not have a strong industrial base. These countries generally have a gross national product below $1,890 per capita (as defined by the World Bank in 1986). The term is often used synonymously with less developed countries and underdeveloped countries.

Economic Research Service (ERS) -- A USDA agency responsible for economic data and analyses and social science information needed to develop, administer, and evaluate agricultural and rural policies and programs.

Embargo -- A government-ordered prohibition of trade with another country restricting all trade or only that of selected goods and services.

European Community (EC) -- An organization established by the Treaty of Rome in 1957 and also known as the European Economic Community and the Common Market. Originally composed of 6 European nations, it has expanded to 12. The EC attempts to unify and integrate member economies by establishing a customs union and common economic policies, including the Common Agricultural Policy (CAP). Member nations include the original six countries of Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, and the Netherlands, as well as Denmark, Greece, Ireland, Portugal, Spain, and the United Kingdom.

Exchange rate -- The number of units of one currency that can be exchanged for one unit of another currency at a given time. A decline in the value of the U.S. dollar, for example, drops the "price" of U.S. farm products in terms of the currency of many importers. Conversely, an appreciation in the value of the dollar means that foreign importers must spend more of their currency to buy American farm products.

Export Credit Guarantee Program (GSM-102) -- The largest U.S. agricultural export promotion program, functioning since 1982. It guarantees repayment of private, short-term credit for up to 3 years.

Export Enhancement Program (EEP) -- A program initiated in May 1985 under a Commodity Credit Corporation charter to help U.S. exporters meet competitors' prices in subsidized markets. The program was formally authorized by the Food Security Act of 1985. Under the EEP, exporters are awarded generic certificates which are redeemable for CCC-owned commodities, enabling them to sell certain commodities to specified countries at prices below those of the U.S. market.

Export Enhancement Program bonuses -- Generic commodity certificates awarded to exporters to help them meet world market commodity prices.

Export Enhancement Program initiatives -- USDA announcements of the availability of specified quantities of agricultural products to specified countries under the EEP. As of August 1989, EEP initiatives are good for only 1 year from the date of announcement.

Export-Import Bank -- A U.S. Government institution which administers programs to assist the U.S. exporting community, including direct lending and the issuance of guarantees or insurance to minimize risk for private banks and exporters.

Export Incentive Program (EIP) -- A program administered by USDA's Foreign Agricultural Service which assists private firms to promote their branded products overseas.

Export programs -- Government programs which support the promotion of U.S. agricultural commodities or products. Government export programs include overseas food aid and concessional loans, credit and credit guarantees, export price subsidies, and generic and branded nonprice promotion programs.

Export restitutions -- Direct export subsidy payment used to promote exports of agricultural goods by the EC. The "restitution" refunds the difference between the domestic market price and the lower price needed to export.

Exports -- Domestically produced goods and services that are sold abroad.

Export subsidies -- Special incentives, such as cash payments, tax exemptions, preferential exchange rates, and special contracts, extended by governments to encourage increased foreign sales. These subsidies are often used when a nation's domestic price for a good is artificially raised above world market prices.

Food and Agriculture Organization (FAO) -- An agency of the United Nations system concerned with the distribution and production of food and agricultural products around the world. FAO is responsible for collecting, analyzing, and disseminating country data on food, agriculture, and rural affairs. The agency also offers technical assistance and operates training projects in many developing countries.

Food for Peace Program -- See PL 480.

Food grains -- Cereal seeds used for human food, chiefly wheat and rice.

Food Security Act of 1985 (PL 99-198) -- The omnibus food and agriculture legislation signed into law on December 23, 1985, that provides a 5-year framework for the Secretary of Agriculture to administer various agriculture and food programs. The act amends permanent legislation--the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949--for the 1986 through 1990 crop years.

Food Security Improvements Act of 1986 (PL 99-260) -- Signed into law March 20, 1986. The law made further modifications to the 1985 Act, including limiting the funding for the Export Enhancement Program to $1.5 billion from 1986 through 1988 from $2.5 billion for the same period.

Food Security Wheat Reserve -- Authorized under the Food Security Wheat Reserve Act of 1980. The USDA was to hold aside up to 4 million tons of wheat for use in meeting emergency humanitarian food needs in developing countries

Foreign Agricultural Service -- A USDA agency responsible for promoting U.S. agricultural exports and administering export assistance programs. The agency also collects foreign crop and market data.

Foreign Market Development Program -- FAS' title for the combined Cooperator Market Development Program and the Export Incentive Program.

Free trade -- Exchange of goods between countries with no trade barriers or restrictions such as tariffs or import quotas.

General Agreement on Tariffs and Trade (GATT) -- An agreement, originally negotiated in Geneva, Switzerland, in 1947 among 23 countries including the United States, to increase international trade by reducing tariffs and other trade barriers. This multilateral agreement provides a code of conduct for international commerce. GATT also provides a framework for periodic multilateral negotiations on trade liberalization and expansion. The eighth and most recent round of negotiations began in Punta del Este, Uruguay, in 1986. Currently, 105 nations are participating in the talks, including most of the industrialized market economies, most of the less developed countries, and several centrally planned economies in Eastern Europe.

Generic advertising -- Promotion of a commodity without reference to the specific farmer, brand name, or manufacturer. Generic advertising has been used to overcome competition from other products, to increase awareness of lesser known products, and to alter negative opinions about a product. Dairy and beef promotion campaigns are examples. Overseas market development is also an application of generic advertising.

Generic commodity certificates -- Negotiable certificates, which do not specify a certain commodity, issued by USDA in lieu of cash payments to commodity program participants and sellers of agricultural products. The certificates, frequently referred to as payment-in-kind (PIK) certificates, can be used to acquire stocks held as collateral on Government loans or owned by the Commodity Credit Corporation. Farmers have received generic certificates as payment for participation in numerous Government programs including acreage reduction, paid land diversion, the Conservation Reserve Program, rice marketing loans, disaster, and emergency feed programs. Grain merchants and commodity groups also have been issued certificates through the Export Enhancement Program and the Targeted Export Assistance Program.

High-valued products -- Products which range from highly processed, value-added goods to unprocessed but relatively expensive foods on a per-unit or per-volume basis, such as eggs, fresh fruit, and vegetables.

Import barriers -- Quotas, tariffs, and embargoes used by a country to restrict the quantity or value of a good that may enter that country.

Intermediate Export Credit Guarantee Program (GSM-103) -- A program established by the Food Security Act of 1985 which complements the Export Credit Guarantee Program (GSM-102) but guarantees repayment of private credit for 3-10 years.

International Commodity Agreement -- Agreements by a group of countries that contain substantive economic provisions aimed at stabilizing world trade, supplies, and prices. The agreements may include quota agreement among exporters, a buffer stock system, and a multilateral contract between exporters and importers. The International Coffee Agreement, for example, was signed by 67 countries, including the United States, representing all of the world's major exporters and importers of coffee. Agreements have also been negotiated for dairy, olive oil, sugar, and wheat.

International trade barriers -- Regulations imposed by governments to restrict imports from, and exports to, other countries. Tariffs, embargoes, import quotas, and unnecessary sanitary restrictions are examples of such barriers.

International Wheat Agreement (IWA) -- An agreement to stabilize trade in wheat and other grains. This agreement contains two conventions: the Wheat Trade Convention and the Food Aid Convention. The Wheat Trade Convention, signed by 60 countries including the United States provides a forum for the periodic exchange of information among member countries on the world grain situation. The Food Aid Convention, signed by 11 countries, commits signatories to minimum annual food aid contributions of edible grains.

Inventory (CCC) --- The quantity of a commodity owned by the Commodity Credit Corporation (CCC) at any specified time. For example, about 123,000 bales of upland cotton were in CCC inventory on July 31, 1985.

Less developed countries (LDC's) -- See developing countries.

Marketing board -- A major form of government involvement by other countries to control the marketing of a commodity. These boards generally handle all export sales for the commodity. They may administer provisions to guarantee farmers a minimum price each year based on the cost of production or provide an initial minimum price with supplemental payments later based on export sales. Boards may oversee a two-price plan in which domestic prices differ from the export price. Canada and Australia use marketing boards for selected grains, and Australia operates a wool marketing board.

Marketing year -- Generally, the period from the beginning of a new harvest through marketing.

Most-favored nation (MFN) -- Agreements between countries to extend the same trading privileges to one another that they extend to any other country.

Multilateral trade negotiations -- Discussions of trade issues involving three or more countries. An example is the General Agreement on Tariffs and Trade which serves as a forum for intergovernmental tariff negotiations.

National Advisory Council on International Monetary and Financial Policies (NAC) -- A U.S. Government intergovernmental committee that coordinates the policies of all Government agencies to the extent that they make foreign loans or engage in foreign monetary transactions, including PL 480 agreements.

Non-Commercial Risk Assurance program -- A credit program (also called GSM-101) authorized under the Agricultural Trade Act of 1978 to guarantee credit for sales of agricultural commodities against non commercial risks such as foreign import embargoes, wars, or the freezing of foreign exchange.

Nontariff trade barriers -- Regulations used by governments to restrict imports from, and exports to, other countries. Embargoes, import quota, and unnecessary sanitary restrictions are examples of such barriers.

Omnibus Trade and Competitiveness Act of 1988 (PL 100-418) -- Signed into law August 23, 1988. The law revises statutory procedures for dealing with unfair trade practices and import damage to U.S. industries. It gives the Secretary of Agriculture discretionary authority to trigger marketing loans for wheat, feed grains, and soybeans, if it is determined that unfair trade practices exist. The Secretary can extend export programs, such as the Export Enhancement Program and the Targeted Export Assistance Program in response to unfair competition.

Organization for Economic Cooperation and Development (OECD) -- An organization founded in 1961 to promote economic growth, employment, a rising standard of living, and financial stability; to assist the economic expansion of member and nonmember developing nations; and to further expand world trade. The member countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

Payment-in-kind (PIK) -- A payment made to eligible producers in the form of an equivalent amount of commodities owned by the Commodity Credit Corporation. Payments-in-kind were first used in the 1930's to reduce Government-held surpluses of cotton. A PIK program in 1983 offered surplus agricultural commodities owned by the Government in exchange for agreements to reduce production by cutting crop acreage.

Protectionism -- A tariff or import quota, for example, imposed by a country in response to foreign competition, in order to protect domestic producers.

Public Law 480 (PL 480) -- Common name for the Agricultural Trade Development and Assistance Act of 1954, which seeks to expand foreign markets for U.S. agricultural products, combat hunger, and encourage economic development in developing countries. Title I, also called the Food for Peace Program, makes U.S. agricultural commodities available through long-term dollar credit sales at low interest rates for up to 40 years. Donations for emergency food relief are provided under Title II. Title III authorizes "food for development" projects.

Retaliation -- Action taken by one country against another for imposing a tariff or other trade barrier. Forms of retaliation include imposing a higher tariff, import restrictions, or withdrawal of previously agreed upon trade concessions. Restrictive trade action by one country entitles the harmed nation to take counter action, according to the General Agreement on Tariffs and Trade.

Section 32 -- A section of the Agricultural Act Amendment of 1935 (PL 74-320) which authorizes use of customs receipts funds to encourage increased consumption of agricultural commodities by means of purchase, export, and diversion programs. Section 32 is funded by a continuing appropriation of 30 percent of the import duties imposed on all commodities, both agricultural and nonagricultural. Domestic acquisition and donations constitute the major use of Section 32.

Section 201 -- Part of the U.S. Trade Act of 1974 that allows the President to provide relief to industries hurt by competing imports. Growers or trade associations must petition the International Trade Commission to investigate complaints of trade practices.

Section 301 -- A provision of the U.S. Trade Act of 1974 that allows the President to take appropriate action to persuade a foreign government to remove any act, policy, or practice that violates an international agreement. The provision also applies to practices of a foreign government which are unjustified, unreasonable, or discriminatory, and which burden or restrict U.S. commerce.

Section 416 -- A section of the Agricultural Act of 1949 intended to dispose of agricultural commodities to prevent waste. It permits donations of agricultural products to public and private nonprofit humanitarian organizations, foreign governments, and international organizations.

Tariffs -- Taxes imposed on commodity imports by a government. A tariff may be either a fixed charge per unit of product imported (specific tariff) or a fixed percentage of value (ad valorem tariff).

Trade barriers -- Regulations used by governments to restrict imports from, and exports to, other countries. Examples include tariffs, nontariff barriers, embargoes, and import quotas.

Trade liberalization -- A term which describes the complete or partial elimination of government policies or subsidies that adversely affect trade. The removal of trade-distorting policies may be done by one country (unilaterally) or by many (multilaterally). Proposals for agricultural trade liberalization submitted to the General Agreement on Tariffs and Trade in 1987 and 1988 vary in the policies included and the length of time for implementation. The U.S. proposal, for example, calls for complete liberalization of agricultural trade by eliminating all policies affecting production, consumption, and trade in all countries over a 10-year period. The Cairns Group, in contrast, includes only trade-distorting policies and provides for short-term trade reform measures, as well as intermediate and long-term actions.

Trade Policy Committee (TPC) -- The senior U.S. Government interagency trade committee established to provide broad guidance on trade issues. It is chaired by the U.S. Trade Representative (USTR) and is comprised of Secretary-level individuals. The trade policy review group which reports to the TPC is chaired by a Deputy USTR and is comprised of Assistant Secretary-level individuals. The trade policy staff committee, the level at which position papers are initiated, is chaired by a Deputy Assistant USTR and is comprised of office/director level individuals.

Underdeveloped nations -- See Less developed countries.

U.S. Trade Representative -- Cabinet-level head of the Office of the U.S. Trade Representative, the principal trade policy agency of the U.S. Government. The U.S. Trade Representative is also the chief U.S. delegate and negotiator at all major trade talks and negotiations.

Variable levies -- The difference between the price of a foreign product at the port and the official price at which competitive imports can be sold. Such levies are effectively a variable tax on imports or a variable subsidy to exports. Variable levies are used by the European Community, Austria, Sweden, and Switzerland.

Wheat and Feed Grain Export Certificate Programs -- Two discretionary programs for the 1986-90 crops designed to encourage exports of wheat and feed grains from private stocks. Under the Cash Export Certificate Program and the Export Marketing Certificate Program, the Secretary would issue wheat and feed grain export certificates to all eligible producers. The programs have not been implemented.

World Bank/International Bank for Reconstruction and Development (IBRD) -- An international organization which makes long-term loans at conventional interest rates for economic development projects and programs in the developing countries. The International Development Association, which is part of the World Bank, provides financing to very low-income countries to meet their development requirements. The terms of this assistance are more flexible and bear less heavily on the countries' budgets than conventional loans.

World Food Program (WFP) -- An undertaking of the United Nations Food and Agriculture Organization (FAO). The objective of the program is to supply food resources for economic development projects in developing countries. Examples include child feeding and school lunch programs and food-for-work infrastructure projects.

World price -- The cost, insurance, and freight (c.i.f.) price of an imported agricultural commodity at the principal port of a major importing country or area.

Appendix table 1--Sales destinations for EEP commodities, 1985-December 15, 1989

Country/ region	North Africa	Middle East	West. Europe	East. Europe	Soviet Union	China	Other Asia[1]	India	Sub-Sahara Africa	Latin America	Total sales
	- - - - - -	- - - - - -	- - - - - -	- - - - - -	Percent	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	1,000 metric tons
Wheat	28.0	6.2	0.2	4.5	28.0	20.0	5.8	3.1	1.4	2.6	65,505.0
Flour	63.3	26.7	0	0	0	0	2.1	0	7.9	0	2,451.8
Barley	14.5	78.1	0	7.4	0	0	0	0	0	0	6,838.2
Sorghum	0	0	2.8	97.2	0	0	0	0	0	0	319.0
Malt	1.7	2.6	0	0	0	0	23.9	0	48.7	23.1	192.1
Vegetable oil	55.9	15.7	0	0	0	0	0	28.4	0	0	510.5
Frozen poultry	44.7	48.1	0	0	0	0	0.2	0	4.8	2.1	165.5
Semolina	100.0	0	0	0	0	0	0	0	0	0	53.0
Rice	0	100.0	0	0	0	0	0	0	0	0	191.2
Poultry feed	0	100.0	0	0	0	0	0	0	0	0	189.0
Table eggs	0	60.6	0	0	0	0	36.9	0	0	2.5	443.0[2]
Dairy cattle	37.0	32.7	0	0	0	0.2	26.1	0	4.0	0	69,773[3]

[1] Other Asia includes Bangladesh, India, the Philippines, Singapore, and Sri Lanka.
[2] Table eggs are in 1 million pieces.
[3] Cattle sales are recorded by "head."
Source: U.S. Dept. Agr., For. Agr. Serv., "Export Enhancement Initiatives," December 15, 1989.

Appendix table 2--U.S. agricultural exports assisted by export payments, by value, fiscal 1962-74 (July/June)

Commodity	1961/62			1962/63			1963/64		
	Exports with payments	Total exports	Share of exports assisted by payments	Exports with payments	Total exports	Share of exports assisted by payments	Exports with payments	Total exports	Share of exports assisted by payments
	---Mil. dol.---		Percent	---Mil. dol.---		Percent	---Mil. dol.---		Percent
Wheat and flour	1,088	1,285	84.7	993	1,158	85.8	1,339	1,518	88.2
Cotton	661	663	99.7	490	491	99.8	670	670	100.0
Oilseeds and products	0	677	0	0	799	0	11	846	1.3
Feed grains and rye	137	704	19.5	0	764	0	0	832	0
Animals and animal products except dairy	0	498	0	0	451	0	0	570	0
Tobacco	3	408	0.7	16	378	4.2	15	421	3.6
Fruits and vegetables and preparations	0	418	0	0	442	0	0	438	0
Rice, milled	128	132	97.0	162	162	100.0	214	214	100.0
Dairy products	23	128	18.0	30	167	18.0	103	260	39.6
Peanuts	0	0	0	3	3	100.0	6	6	100.0
Other	3	228	1.3	0	269	0	0	293	0
Total	2,043	5,141	39.7	1,694	5,084	33.3	2,358	6,068	38.9

Commodity	1964/65			1965/66			1966/67		
	Exports with payments	Total exports	Share of exports assisted by payments	Exports with payments	Total exports	Share of exports assisted by payments	Exports with payments	Total exports	Share of exports assisted by payments
	---Mil. dol.---		Percent	---Mil. dol.---		Percent	---Mil. dol.---		Percent
Wheat and flour	1,150	1,239	92.8	1,253	1,403	89.3	1,148	1,312	87.5
Cotton	584	584	100.0	386	386	100.0	21	542	3.9
Oilseeds and products	12	1,124	1.1	23	1,224	1.9	33	1,244	2.7
Feed grains and rye	134	943	14.2	290	1,351	21.5	82	1,153	7.1
Animals and animal products except dairy	0	592	0	1	603	.2	0	594	0
Tobacco	4	395	1.0	4	395	1.0	513	550	93.3
Fruits and vegetables and preparations	0	443	0	0	496	0	0	492	0
Rice, milled	203	203	100.0	220	220	100.0	305	308	99.0
Dairy products	114	226	50.4	55	174	31.6	3	138	2.2
Peanuts	12	14	85.7	19	20	95.0	15	16	93.8
Other	0	333	0	0	409	0	371	412	90.0
Total	2,213	6,096	36.3	2,251	6,681	33.7	2,491	6,761	36.8

Continued--

Appendix table 2--U.S. agricultural exports assisted by export payments, by value, fiscal 1962-74 (July/June)--Continued

	1967/68			1968/69			1969/70		
	Exports with payments	Total exports	Share of exports assisted by payments	Exports with payments	Total exports	Share of exports assisted by payments	Exports with payments	Total exports	Share of exports assisted by payments
	---Mil. dol.---		Percent	---Mil. dol.---		Percent	---Mil. dol.---		Percent
Wheat and flour	882	1,306	67.5	77	924	8.3	634	965	65.7
Cotton	8	475	1.7	3	329	.9	0	347	0
Oilseeds and products	5	1,202	.4	0	1,239	0	37	1,676	2.2
Feed grains and rye	0	1,001	0	0	774	0	6	988	0.6
Animals and animal products except dairy	0	509	0	9	586	1.5	27	664	4.1
Tobacco	457	494	92.5	472	507	93.1	529	562	94.1
Fruits and vegetables and preparations	0	456	0	0	461	0	0	548	0
Rice, milled	32	337	9.5	99	316	31.3	321	322	99.7
Dairy products	2	136	1.5	9	175	5.1	12	109	11.0
Peanuts	13	14	92.9	10	10	100.0	0	0	
Other	0	383	0	0	419	0	0	540	0
Total	1,399	6,313	22.2	679	5,740	11.8	1,566	6,721	23.3

	1970/71			1971/72			1972/73		
	Export with payments	Total exports	Share of exports assisted by payments	Exports with payments	Total exports	Share of exports assisted by payments	Exports with payments	Total exports	Share of exports assisted by payments
	---Mil. dol.---		Percent	---Mil. dol.---		Percent	---Mil. dol.---		Percent
Wheat and flour	1,054	1,225	86.0	935	1,071	87.3	1,766	2,378	74.3
Cotton	0	492	0	0	530	0	0	748	0
Oilseeds and products	25	2,060	1.2	48	2,235	2.1	38	3,508	1.1
Feed grains and rye	49	1,095	4.5	37	1,118	3.3	0	2,312	0
Animals and animal products except dairy	35	784	4.5	19	809	2.3	8	1,267	.6
Tobacco, unmanufactured	570	570	100.0	570	570	100.0	640	640	100.0
Fruits and vegetables and preparations	0	550	0	0	616	0	0	753	0
Rice, milled	288	288	100.0	230	306	75.2	289	435	66.4
Dairy products	7	131	5.3	88	218	40.4	9	86	10.5
Peanuts	0	0		0	0		0	0	0
Other	0	564	0	0	574	0	0	767	0
Total	2,028	7,759	26.1	1,927	8,047	23.9	2,750	12,894	21.3

Continued--

Appendix table 2--U.S. agricultural exports assisted by export payments, by value, fiscal 1962-74 (July/June)--Continued

Commodity	1973/74			1962-1974		
	Exports with payments	Total exports	Share of exports assisted by payments	Exports with payments	Total exports	Share of exports assisted by payments
	---Mil. dol.---		Percent	---Mil. dol.---		Percent
Wheat and flour	411	4,739	8.7	12,730	20,523	62.0
Cotton	0	1,294	0	2,823	7,551	37.4
Oilseeds and products	0	5,243	0	232	23,077	1.0
Feed grains and rye	0	4,653	0	735	17,688	4.2
Animals and animal products except dairy	0	1,694	0	99	9,621	1.0
Tobacco, unmanufactured	340	814	41.8	4,133	6,704	61.6
Fruits and vegetables and preparations	0	996	0	0	7,109	0
Rice, milled	0	752	0	2,491	3,995	62.4
Dairy products	0	65	0	455	2,013	22.6
Peanuts	0	0		78	83	94.0
Other	0	1,073	0	374	6,264	6.0
Total	751	21,323	3.5	24,150	1 04,628	23.1

Source: U.S. Dept. Agr., Econ. Res. Serv., FATUS, various issues.

Appendix table 3--Value of agricultural exports under credit programs, 1948-88

Year	Export-Import Bank credit	Other loans	CCC credit sales (GSM-5)	Intermediate-term credit (GSM-201)	Intermediate-term credit (GSM-301)	Short-term credit guarantees (GSM-101)	Credit guarantees (GSM-102)	Blended credit	Intermediate-term credit guarantees (GSM-103)	Total
					Million dollars					
1948	17.0	306.0								323.0
1949	35.0	7.0								42.0
1950	24.0	46.0								70.0
1951	14.0	1.0								15.0
1952	89.0	184.0								273.0
1953	62.0	34.0								96.0
1954	113.0									113.0
1955	69.0									69.0
1956	60.5		1.4							61.9
1957	68.5		4.6							73.1
1958	191.4		11.9							203.3
1959	54.0		38.8							92.8
1960	34.2		.8							35.0
1961	42.6		18.4							61.0
1962	71.5		32.8							104.3
1963	85.0		76.6							161.6
1964	78.9		118.4							197.3
1965	72.1		94.5							166.6
1966	62.0		216.8							278.8
1967	103.2		334.8							438.0
1968	70.6		144.9							215.5
1969	51.4		115.9							167.3
1970	67.3		211.3							278.6
1971	97.3		390.8							488.1
1972	86.3		371.6							457.9
1973	66.4		1,028.5							1,094.9
1974			297.9							297.9
1975			248.6							248.6
1976			956.9							956.9
1977			755.3							755.3
1978			1,582.5							1,582.5
1979			1,527.4			63.2				1,590.6
1980			717.9	1.0		698.1				1,417.0
1981					12.8	118.6	1,743.6			1,875.0
1982					8.4		1,386.5			1,394.9
1983							3,420.2	648.9		4,069.1
1984			37.6				3,239.7	560.6		3,837.9
1985			52.0				2,709.6	51.5		2,813.1
1986							2,415.8		0.7	2,416.5
1987							2,630.6		153.8	2,784.4
1988							3,585.5		294.4	3,879.9

Sources: U.S. Dept. Agr., For. Agr. Serv., "Notices to Recipients;" and Cochrane and Ryan, pp 267 and 271.

Appendix table 4--Cereal food aid shipments by donor, 1970-90

Trade year	Australia	Canada	EC	United States	Other	Total
			1,000 metric tons (grain equivalent)			
1970/71	230.2	1,318.0	888.7	9,039.1	881.3	12,357.3
1971/72	215.1	1,093.0	978.4	9,219.6	1,006.7	12,512.8
1972/73	258.8	808.0	986.1	6,948.3	962.9	9,964.1
1973/74	222.2	663.6	1,208.5	3,186.4	538.0	5,818.7
1974/75	329.6	612.0	1,413.1	4,721.5	1,323.2	8,399.4
1975/76	261.2	1,034.0	927.9	4,273.0	350.9	6,847.0
1976/77	230.0	1,175.8	1,131.1	6,066.3	439.0	9,042.2
1977/78	251.8	884.0	1,373.9	5,987.9	713.7	9,211.3
1978/79	328.9	735.0	1,158.9	6,237.6	1,039.3	9,499.7
1979/80	314.9	729.8	1,205.5	5,339.4	1,297.3	8,886.9
1980/81	370.4	600.3	1,291.4	5,212.2	1,467.9	8,942.2
1981/82	485.2	600.0	1,601.8	5,341.3	1,111.9	9,140.2
1982/83	349.3	842.9	1,596.4	5,374.8	1,074.6	9,238.0
1983/84	460.4	816.7	1,916.7	5,655.3	999.6	9,848.7
1984/85	465.8	942.7	2,505.2	7,535.6	1,061.4	12,510.7
1985/86	345.5	1,216.4	1,614.1	6,675.4	1,097.8	10,949.2
1986/87	368.0	1,239.6	1,883.5	7,861.2	1,226.7	12,579.0
1987/88	355.0	1,062.2	2,514.0	7,946.3	1,563.5	13,441.0
1988/89	348.0	1,170.0	1,990.0	5,287.0	1,046.0	9,841.0
1989/90	300.0	850.0	2,800.0	6,200.0	867.0	11,017.0

Source: Food and Agriculture Organization, Food Aid in Figures, various issues.

Appendix table 5--FAS and Cooperator Market Development Program expenditures, 1956-88

Years	Cooperator Market Development Program		Export Incentive Program		FAS promotions	Total Government market dev. expenditures	Total nongovernment market dev. expenditures
	FAS	Cooperators	FAS	Cooperators			
	Million dollars						
1956	0.18	0.04	0	0	0.23	0.41	0.04
1957	.68	.32	0	0	.70	1.38	.32
1958	1.89	.60	0	0	1.01	2.90	.60
1959	2.15	1.09	0	0	1.04	3.19	1.09
1960	3.22	1.58	0	0	1.54	4.76	1.58
1961	3.24	1.92	0	0	1.13	4.38	1.92
1962	4.90	2.58	0	0	1.54	6.44	2.58
1963	6.01	2.68	0	0	1.98	7.99	2.68
1964	7.22	3.22	0	0	2.23	9.45	3.22
1965	6.09	3.31	0	0	1.50	7.59	3.31
1966	7.11	4.52	0	0	1.35	8.46	4.52
1967	9.74	4.47	0	0	1.33	11.07	4.47
1968	10.00	5.15	0	0	2.05	12.05	5.15
1969	10.18	6.02	0	0	1.54	11.72	6.02
1970	9.23	6.86	0	0	1.52	10.75	6.86
1971	8.68	6.73	0.17	0.13	4.13	12.98	6.86
1972	9.74	6.66	.32	.34	1.23	11.28	7.00
1973	9.93	6.32	.12	1.22	.71	10.76	7.54
1974	9.74	7.06	.50	.56	.60	10.83	7.62
1975	10.95	8.35	.84	1.83	.73	12.52	10.18
1976	10.51	7.14	.42	2.66	.76	11.68	9.79
1977	11.20	8.86	.52	3.62	.77	12.49	12.48
1978	13.12	10.55	.81	4.55	.86	14.79	15.10
1979	14.78	12.71	1.83	4.23	.92	17.53	16.94
1980	18.20	20.35	1.13	3.47	.99	20.32	23.82
1981	17.54	21.14	1.29	1.91	.97	19.80	23.05
1982	19.00	28.08	1.14	5.58	.85	20.99	33.66
1983	23.50	30.21	1.72	4.10	.87	26.09	34.31
1984	25.24	30.67	1.57	2.52	1.50	28.31	33.19
1985	31.81	35.64	2.04	3.70	1.09	34.94	39.34
1986[1]	33.40	35.45	1.60	1.93	2.15	37.15	37.38
1987	23.11	24.94	.20	0.23	2.35	25.66	25.17
1988	29.35	29.00	--	.43	3.21	32.56	29.43

-- = less than $200,000.

[1] 1986-88 expenditures do not include expenditures under the Targeted Export Assistance Program.

Source: U.S. Dept. Agr., For. Agr. Serv., Marketing Programs Division.

Appendix table 6--Program shipments of agricultural products[1]

Year	PL 480 and Section 416	Credit and guarantee programs	Export Enhancement Program	Barter[2]	CCC direct[3] sales	Agricultural export value	Program share of exports
	Million dollars						Percent
1955	384.4	69.0				3,144.0	14.4
1956	984.9	61.9				3,496.0	29.9
1957	1,525.1	73.1				4,728.0	33.8
1958	981.0	203.3				4,003.0	29.6
1959	1,017.3	92.8				3,719.0	29.8
1960	1,115.9	35.0				4,519.0	25.5
1961	1,316.4	61.0				4,946.0	27.8
1962	1,495.5	104.3				5,142.0	31.1
1963	1,456.3	161.6				5,078.0	31.9
1964	1,418.0	197.3				6,068.0	26.6
1965	1,570.5	166.6				6,097.0	28.5
1966	1,345.9	278.8				6,747.0	24.1
1967	1,270.8	438.0				6,821.0	25.1
1968	1,279.5	215.5				6,331.0	23.6
1969	1,038.6	167.3				5,751.0	21.0
1970	1,055.8	278.6				6,958.0	19.2
1971	1,023.0	488.1				7,955.0	19.0
1972	1,057.0	457.9				8,242.0	18.4
1973	946.4	1,094.9				14,984.0	13.6
1974	865.9	297.9				21,559.0	5.4
1975	1,099.1	248.6				21,817.0	6.2
1976	904.1	956.9				22,742.0	8.2
1977	1,103.6	755.3				23,974.0	7.8
1978	1,072.8	1,582.5			16.9	27,289.0	9.8
1979	1,187.2	1,590.6			17.8	31,979.0	8.7
1980	1,341.6	1,417.0			41.4	40,481.0	6.9
1981	1,333.0	1,871.2			160.0	43,780.0	7.7
1982	1,107.6	1,389.7		13.0	16.5	39,097.0	6.5
1983	1,194.7	4,059.6			80.7	34,769.0	15.3
1984	1,505.9	3,830.2		34.0	80.7	38,027.0	14.3
1985	1,905.8	2,806.6	93.7		95.6	31,201.0	15.4
1986	1,334.2	2,413.2	708.5		188.8	26,324.0	18.0
1987	1,077.2	2,744.7	1,693.0		188.2	27,877.0	20.5
1988	1,435.7	3,706.6	3,301.0		108.7	35,337.0	24.1

[1] In recent years, exports under credit guarantee programs may overlap EEP sales.
[2] Barter sales outside of the PL 480 program were reported for 1982 and 1984.
[3] The market value of agricultural commodites sold by the CCC was not available prior to 1978.
Sources: U.S. Dept. Agr., For. Agr. Serv., Agricultural Export Assistance Update and "Notices to Exporters;" Communication with Export-Import Bank official.

Appendix table 7--Targeted Export Assistance Program expenditures by participant, fiscal 1986-88

Participant	1986	1987	1988	1986-88
		Million dollars		
Animals and animal products:				
Alaska Seafood Marketing Institute	0	0	2.983	2.983
Catfish Farmers of America	0	0	.009	.009
Leather Industries of America	0	2.292	0	2.292
U.S. Meat Export Federation	6.847	0	1.654	17.500
USA Poultry and Egg Export Council	5.725	5.808	0	11.534
Export Incentive Program agreements-- American Legend Cooperative	0	.700	.096	.796
Hudson's Bay Fur Sales	0	.550	.350	.900
Grains, grain products, and dry beans and peas:				
National Council of Farmer Cooperatives	0	0	.024	.024
National Dry Bean Council	0	0	.237	.237
National Hay Association	0	.043	0	.043
National Pasta Association	.585	0	0	.585
Rice Council for Market Development	3.416	0	3.138	6.554
USA Dry Pea and Lentil Council	2.087	0	1.804	3.891
U.S. Feed Grains Council	1.033	.263	4.817	6.112
U.S. Wheat Associates, Inc.	1.064	.125	1.364	2.554
Oilseeds and products:				
American Soybean Association	3.619	0	12.342	15.961
National Peanut Council	4.056	0	4.541	8.596
National Sunflower Association	0	1.846	.897	2.743
Horticultural and tropical products:				
California Avocado Commission	0	.400	.425	.825
California Cling Peach Advisory Board	2.500	5.023	5.358	12.880
California Kiwifruit Commission	0	.479	.488	.968
California Pistachio Commission	.184	0	.191	.375
California Prune Board	3.554	4.006	4.578	12.137
California Raisin Advisory Board	4.519	8.618	7.927	21.064
California Table Grape Commission	.346	.427	.705	1.477
California Walnut Marketing Board	8.149	6.282	5.954	2.385
California Wine Institute	4.189	0	2.408	6.597
Florida Department of Citrus	4.909	0	6.241	11.150
National Potato Promotion Board	1.901	2.284	2.088	6.273
Northwest Horticultural Council:				
Washington State Apple Commission	1.378	1.454	1.896	4.729

Continued--

Appendix table 7--Targeted Export Assistance Program expenditures by participant, fiscal 1986-88--Continued

Participant	1986	1987	1988	1986-88
		Million dollars		
Northwest Cherry Growers	0	0.110	0.429	0.539
Oregon-Washington-California Pear Bureau	0.276	0	.336	.613
Export Incentive Program agreements:				
Dole Foods	.523	.751	1.032	2.306
Dole Nut Co.	0	0	.185	.185
Blue Diamond Growers	.849	3.513	5.500	9.862
California Almond, Inc.	0	.003	0	.003
California Independent Almond Growers	.005	0	0	.005
Golden West Nuts	0	0	.100	.100
Hansa-Pacific Association	0	.165	.250	.415
Monarch International	0	0	.014	.014
Nicolaysen Farms	.005	.003	.030	.038
Norpac Food Sales	0	0	.005	.005
Sequoia Orange Company	0	0	.089	.089
Sun World, Inc.	0	.107	.111	.218
Sunkist Growers, Inc.	4.774	9.549	8.834	23.157
Sunpacific Shippers	0	.027	0	.027
Tenneco West	.030	.043	0	.073
The DiMare Co.	0	0	.015	.015
Pillsbury Co.	0	0	.312	.312
Regional associations and other high-value products:				
Chocolate Manufacturers Association of America	.864	0	2.250	3.114
Eastern U.S. Agricultural and Food Export Council, Inc.	.617	.543	.575	1.734
Mid-America International Agri-Trade Council	0	0	1.331	1.331
National Association of State Departments of of Agriculture	.197	0	.281	.478
Southern U.S. Trade Association	.335	.569	.511	1.415
Western U.S. Trade Association	.817	.958	1.642	3.417
Cotton, seeds, and tobacco:				
American Seed Trade Association	0	.021	.041	.062
Cotton Council International	6.295	7.297	9.655	23.247
Tobacco Associates	0	.196	.752	.948
Wood products:				
American Plywood Association	.977	.655	1.756	3.388
Total TEA expenditures:	76.624	65.108	117.552	259.285

Source: U.S. Dept. Agr., For. Agr. Serv., Marketing Programs Division, January 11, 1990.

Appendix table 8--Foreign Market Development Program expenditures by participant, fiscal 1986-88

Participant	1986	1987	1988	1986-88
		Million dollars		
Animals and animal products:				
American Catfish Marketing Association	0.017	0	0.022	0.039
American Jersey Cattle Club	.009	0.005	.011	.026
American Legend Cooperative	.325	.244	0	.569
American Quarterhorse Association	.017	.013	.020	.049
Appaloosa Horse Club	0	0	.006	.006
Brown Swiss Cattle Breeder Association	.036	.021	.032	.088
Holstein-Friesian Association	.274	.229	.274	.777
Leather Industries of America	.151	.129	.147	.427
Livestock Exporters' Association	.006	.013	.002	.021
Mohair Council of America	.018	.012	.012	.042
National Association of Animal Breeders	.049	.040	.046	.135
National Association of Swine Records	.063	.042	.048	.152
National Renderers Association	.924	.743	.838	2.504
U.S. Beef Breeds Council	.073	.075	.095	.242
U.S. Meat Export Federation	1.465	1.147	1.603	4.214
USA Poultry and Egg Export Council	1.541	1.214	1.531	4.286
Grains, grain products, and dry beans and peas:				
Millers National Federation	.023	.018	.020	.062
National Dry Bean Council	.046	.053	.083	.182
National Hay Association	.031	.036	.041	.107
Protein Grain Products, Inc.	.046	.037	.031	.114
Rice Council for Market Development	1.900	.665	1.731	4.297
U.S. Dry Pea and Lentil Council	.170	.102	.122	.394
U.S. Feed Grains Council	5.132	4.437	4.784	14.353
U.S. Wheat Associates, Inc.	5.656	5.026	5.759	16.441
Oilseeds and products:				
American Soybean Association	6.366	4.855	6.687	17.908
National Cottonseed Producers	.075	.045	.106	.226
National Peanut Council	.889	.264	.446	1.598
National Sunflower Association	.248	.212	.345	.806
Horticultural and tropical products:				
American Horticultural Marketing Council	.096	.099	.113	.307
California Avocado Commission	.147	0	0	.147
California Cling Peach Advisory Board	.592	0	0	.592
California Raisin Advisory Board	.518	0	0	.518
California Table Grape Commission	.136	0	0	.136

Continued--

Appendix table 8--Foreign Market Development Program expenditures by participant, fiscal 1986-88--Continued

Participant	1986	1987	1988	1986-88
		Million dollars		
California Tree Fruit Agreement	0	0	0.072	0.072
California Wine Institute	0.368	0	0	.368
Florida Department of Citrus	.577	0	0	.577
National Pecan Marketing Council	.097	0	0	.097
National Potato Promotion Board	.131	0	0	.131
Northwest Horticultural Council	.470	0.142	0	.612
Papaya Administrative Committee	.036	.054	.063	.153
Western Growers Association	.008	.016	.020	.045
Export Incentive Program agreements:				
Almonds #3	.014	0	0	.014
Canned corn #2	.077	0	0	.077
Citrus #1	.816	0	0	.816
Citrus #2	.042	0	0	.042
Citrus #3	.011	0	0	.011
Green Giant Company (Pillsbury)	0	.049	0	.049
Mayfair Packing Company	0	.014	0	.014
Ocean Spray Cranberries	0	.086	.102	.188
Prunes #1	.163	0	0	.163
The Nunez Company	0	0	.009	.009
Vegetables #1	.023	0	0	.023
Walnuts #2	.136	0	0	.136
Regional associations and other high-value products:				
Eastern U.S. Agricultural and Food Export Council, Inc.	.078	.064	.076	.218
Mid-America International Agri-Trade Council	.140	.087	.094	.320
National Association of State Departments of Agriculture	.261	.210	.309	.780
Southern U.S. Trade Association	.133	.095	.124	.352
Western U.S. Trade Association	.188	.156	.146	.490
U.S. Agricultural Export Development Council	.035	.035	.035	.105
Cotton, seeds, and tobacco:				
American Seed Trade Association	.117	.059	.167	.342
Cotton Council International	1.781	.724	1.009	3.514
Tobacco Cooperators	.128	.077	.096	.302
Wood products:				
National Forest Products Association	2.137	1.664	2.071	5.872
Total Foreign Market Development Program expenditures	35.004	23.307	29.346	87.657

Source: U.S. Dept. Agr., For. Agr. Serv., Marketing Programs Division, January 11, 1990.

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